

2011 NC Annual Conference Frequently Asked Questions Through June 10, 2011

Annual Conference Logistics

Q: What is available this year as a video-stream, so that members of our local churches can see what is going on at Annual Conference even if they are not attending?

A: Annual conference will be streamed over the internet this year as has been done in the past several years. We will stream all sessions that can be streamed – including business sessions, the Bishop’s State of the Church address, worship services, ordination, etc. It is not yet clear if we will be able to stream the teaching sessions by Laurie Beth Jones. We are awaiting approval from her to know if we can stream them live. Sessions will be video-taped and offered for sale on DVD. Conference sessions will be sold for \$10 and the sessions with Laurie Beth Jones will be \$20 since there is cost-sharing with Ms. Jones in that fee.

Q: How can I access the internet during conference? Do I have to pay for that? Will I be able to use my cell phone connection for access?

A: This is an **UPDATE** to an earlier response – there has been further development on this issue: You can access the Internet from anywhere inside the Raleigh Convention Center during your time at the 2011 North Carolina Annual Conference! Use the following information to get online:

- SSID - NC Methodist Conference
- Password - conference2011

While you are connected be sure to visit us online! You can connect with others at Annual Conference by visiting our Blog (<http://acblog.nccumc.net>), Facebook page (<http://www.facebook.com/nccumc>) or on Twitter (@nccumc). If you are using Twitter be sure to include the #nccumc hash tag so we can find you! You can also watch archived annual conference video at <http://nccumc.org> (click on Resources -> Video Room).

Q: Will there be park and ride lots available for commuters so that they do not have to park in the parking garage?

A: There are no free park and ride lots available for commuters. The parking at Peace College is for those staying at Peace for lodging. If you prefer to park somewhere else and ride the R-line from another location in Raleigh, you may do that instead of parking in the garage. The most convenient place for commuters to park will be in the attached parking garage. You can find more information about parking and the R-line at the 2011 Annual Conference website at <http://nccumc.org/secretary/annual-conference-2011/>.

Q: Will there be any printed copies of the Conference Workbook available or do I need to print my own?

A: Printed copies of the workbook will not be available. If you would like a printed copy of the entire workbook, please print it and bring it with you. If you will be using a laptop during the week, you can also either access the workbook on the website during conference or download the pdf file to your computer for reference during the week. Financial reports that need to be voted on during conference will be printed in the *Christian Advocate* and that will be available to you in printed form at conference for reference.

Financial Report

Q: What is the 2013 budget being proposed?

A: The 2013 budget is part of the report of the Council on Finance and Administration. See section one of the report for the details of the budget being proposed. Overall, there is no increase being proposed – it is actually a decrease of \$578.

Q: If the District Superintendents are decreased in number from 12 to 8, will each DS receive a larger salary than the roughly 1% increase recommended? Or will we save money by having 8 instead of 12 salary-wise, thus making the 1% increase a non-issue?

A: The proposal for district superintendent salary is per DS so the amount approved for that salary is regardless of the number of superintendents. If the task force report is approved, the total cost of salaries and benefits for the superintendents will decrease. Any savings in the total cost will not be reallocated in additional salary for the remaining DS positions. It is possible that some of the cost savings will need to be reallocated to assisting the districts in paying for a full-time administrative assistant instead of the part-time ones they currently have. It won't give more salary to the DS but we may need to give the district help providing more salary money for a full-time admin assistant. The transition team would need to work on that with the districts.

Incapacity Benefits

Q: What are the changes being proposed for incapacity benefits?

A: The highlights of the changes to the premiums charged to clergy on incapacity leave are as follows.

1. The premium for health insurance coverage will change from the minimum payment (currently \$10/month) to the same personal portion as is billed to active participants for the plan they are on (\$133 for single, \$247 for parent/child and \$339 for family for 2011). This change is proposed to be effective for everyone on incapacity leave and will begin January 1, 2012.

2. Everyone on incapacity leave must apply for Social Security Disability when it is available to them. Participants who fail to provide proof of filing within 60 days will be charged 100% of the applicable monthly insurance rate until notification is received by the Benefits Manager. Those already on incapacity leave will have 60 days from July 1, 2011 to meet this requirement if they have not already fulfilled it (most have). Proof of filing must be submitted to the Health Benefits Manager.
3. After a person has been on incapacity leave for 30 months, they will be required to pay the applicable personal portion for the plan they are on as well as 25% of the church portion of the premium. As an example, a person who is on incapacity leave and covers his/her family on the active family plan will, after 30 months, be billed \$380 (the proposed family plan personal portion) plus \$229 (25% of the proposed church portion) for a total of around \$610/month for the active family health insurance plan (base plan). Those who are already on incapacity leave as of July 1, 2011, have 30 months from July 1, 2011 (which will be January 1, 2014) until this requirement is applied to their insurance billing.

Q: Would you provide some actual coverage examples that our retiree and incapacitated insurance was compared to in other conferences and in the secular world in professions with the same amount of required education and similar professional responsibilities?

A: "The medical continuation policies for disabled employees vary widely from employer to employer. Most employers develop an approach that is consistent with the organizational culture, established practices and integrates with the total benefits and compensation package. In the past it was not unusual for an employer to allow disabled employees to remain covered to age 65. That practice changed dramatically once COBRA continuation became law. Today employers must allow disabled employees to continue coverage during Family Medical Leave and then offer COBRA. If the individual was disabled at the time of the COBRA event the COBRA coverage period is extended to 29 months which coincide to the waiting period for Medicare. There are still employers today that allow employees to remain covered to retirement and beyond but very few subsidize the full cost. Some employers vary the required employee contributions based on years of service, a combination of age and years of service or qualifying for retirement." – from our employee benefits consultant at Aon Hewitt

Q: Is the medicare companion plan for those retired persons who have not reached 65 yet?

A: Those who have retired before they are eligible for Medicare stay on the active health insurance plan instead of switching to a Medicare Companion Plan. Their retirement benefits for health insurance are calculated based on the active plan premiums.

Q: Why are clergy on incapacity being asked to pay the full premium of an active clergy when Medicare Part B is primary and pays 80% of the cost before it goes to BCBSNC?

A: We are working through administrative set up issues with BCBS with the goal of having those who only have the Medicare Companion Plan benefits billed with the Medicare Companion premiums. If a clergy person has Medicare for himself or herself but also covers his/her family on the active plan, s/he will be billed for the active plan premiums. Otherwise, there would need to be billing for the Medicare plan plus the active plan for the family and that would result in more premium being billed to the clergy person.

Q: Has any thought been given to covering the Insurance premium increase for Incap. Participants over a three year period so that such a great increase in premiums will not be so overwhelming. The Incap. Leave participants have only had one year of paying \$10/mo toward BCBS premiums. With the Incap. Leave Committee's recommendation; as of January 1, 2012 Incap. Leave participants will be expected to pay approximately \$400/month for insurance coverage and also to consider a buy-up to keep present coverage amounting to more than \$400/mo. Again, has there been any consideration for a gradual increase in premium cost from \$10/mo to approximately \$400/mo.?

A: The Joint Committee on Incapacity looked at several models for premium allocation and voted to make this increase effective January 1 to give at least six months to prepare for this premium change. This premium change is one part of the overall change that would step into the final recommendation of the personal portion plus 25% of the church cost after 30 months of incapacity leave. The committee did look at stepping into cost and voted to add this step in six months and to give up to 30 months for all individuals on incapacity leave before the tier of premium.

Equitable Compensation

Q: What is the minimum salary being proposed to conference?

A: The minimum salary being proposed to conference for all full-time appointments is \$40,319. This is the same salary currently in place for 2011. The commission does not recommend an increase to this minimum.

Q: I was wondering if a couple of options would be considered. For example, increasing the salary to a point that would at least give the cost of living increase that has occurred over the past few years with travel, groceries, and other expenses.

A: The minimum salary is a minimum. The local church can choose to and is encouraged to take all of these factors into account when establishing an appropriate level of compensation for the pastor and other church staff, if any.

Q: Upon considering that the insurance premiums were going to increase, did the conference still not request an increase in salary for the minimum salary pastors.

A: The Commission on Equitable Compensation is recommending no increase in minimum salary as set by annual conference for 2012. Each local church decides the pastor salary, as long as it meets the minimum for a full-time appointment, so the local church laity are the ones who set the actual salary for each pastor. This is dependent upon many factors at the local church and those factors differ for different congregations.

Board of Pension

Q: What is the recommended past service year rate for retiree pension for 2012?

A: The board of pension is recommending that the per service year rate for the pre-1982 pension funding plan be held constant for 2012 at \$639/service year.

Q: What effect does the past service year rate have on the pension funding plan?

A: The actuarial projection of the liability at the proposed rate of \$639 is \$46,823,515. Between what is held at the General Board of Pension in the funding plan and what we hold invested outside the funding plan, we have assets of \$30,557,309 to offset that liability. When we subtract those assets we already have from this liability, it leaves us \$16,266,206 unfunded. We have a funding plan in place to raise that money by our required date of 2021. We are raising this money through the Past Service Liability apportionment that is allocated to all churches. Our current plan would have this liability funded around 2018 depending upon market returns.

Q: Our funding plan calls for increases of 5% in the per service year rate each year. Why are we not proposing to increase by 5%?

A: The Board of Pension (BOP) considered several options for the per service year rate (PSR). If the conference votes to increase the PSR by 5%, the resulting liability is projected to be a little over \$49.5 million instead of the proposed \$46.8 million for an approximate \$2.7 million increase. It was understood for a while that the PSR had to increase by 2% each year as a minimum but that was ruled by the Judicial Council to be inaccurate. A 2% increase would result in a liability projection of about \$47.8 million – an increase of about \$1 million over the proposal. The BOP was encouraged by CFA to find ways to keep the costs being apportioned to the local church steady or decreasing. With that in mind, the BOP wanted to keep the funding levels needed to pay the liability in balance with the benefits being offered. The BOP reviewed the PSR levels for other annual conferences and found the NC levels to be around the middle for the SEJ and across the denomination.

Q: What changes are being proposed for retiree health insurance rates?

A: The Board of Pension has reviewed the proposal being made for health insurance for 2012. Included in the proposal will be an increase of 12% for the cost of the Medicare Companion Plan. The Insurance Committee bills the Board of Pension for these premiums and the Board of Pension bills the participants for their personal portions of those premiums. After the BOP learned of the increase, they evaluated how much funding comes to the BOP for these premiums through the Conference Claimants line in the Annual Conference budget (currently \$2,700,000 and proposed at the same amount for 2013). With the proposed increase in premium, the BOP voted to increase the premiums being billed to participants for coverage under retiree plans. The BOP recommendations

are that (1) the minimum premium being charged for the plans be increased from \$10/month to \$20/month, (2) the premiums being paid by those who pay a percentage of the premium based on years of service be increased by 12%, and (3) that the cost of the buy up plan be paid by participants as is proposed for those on the active plan.

Without the increases in premium for the personal premiums, the amount included in the annual conference budget would need to be increased. The BOP did not vote to request an increase in the budget line as an attempt to keep the costs being apportioned to local churches steady or decreasing, as they were encouraged to do by CFA.

Insurance Committee Proposal

Q: What did you say the changes are that are being proposed for health insurance?

A: Changes in benefits and rates are proposed.

Benefit changes for the active base health insurance plan are as follows:

	Current	Proposed
Deductible	\$500 (S) \$1,000 (F)	\$1,000 (S) \$2,000 (F)
Office Co-pays	\$30/\$40	\$40/\$50
Coinsurance	80%/20%	70%/30%
Coinsurance Out of Pocket Maximum	\$3,000 (S) \$6,000 (F)	\$3,000 (S) \$6,000 (F)
Pharmacy	\$10/\$30/\$45	\$15/\$35/\$50 4 th tier – 25% of cost (\$50 min - \$100 max)

Benefit changes for the proposed retiree Medicare Companion base plan are as follows:

	Current	Proposed
Deductible	\$750	\$1,000
Office Co-pays	\$30/\$40	\$40/\$50
Coinsurance	100%	80%/20%
Coinsurance Out of Pocket Maximum	N/A	\$1,000
Pharmacy	\$10/\$30/\$45	\$15/\$35/\$50 4 th tier – 25% of cost (\$50 min - \$100 max)

If these benefit changes are adopted, the rates will change as follows:

	Current (per month)	Proposed (per month)
Church Portion	\$918.02	\$918.02
Personal Portion		
Single	\$133.45	\$149.46
Parent/Child	\$247.01	\$276.65
Family	\$339.98	\$380.78
Medicare Companion Plan (billed to BOP)	\$362.62	\$406.13

The Insurance Committee is also offering a plan that will allow the participant to buy up to the current (2011) levels of coverage for additional premium. The cost to buy up to the higher levels of coverage is as follows:

	Base Plan Cost (per month)	Buy-up Cost (paid by person - per month)	Total Premium Incl. Buy-up (per month)
Church Portion	\$918.02	N/A	\$918.02
Personal Portion			
Single	\$149.46	\$24.02	\$173.49
Parent/Child	\$276.65	\$44.46	\$321.11
Family	\$380.78	\$61.20	\$441.97
Medicare Companion Plan (billed to BOP)	\$406.13	\$36.26	\$442.40

Q: What is the current unfunded liability for retiree health insurance? How much do we have to set aside for these costs?

A: The projected liability for postretirement health insurance benefits for benefits as they are in 2011 is \$46,018,965 as determined by an actuarial valuation by Aon Hewitt. At the end of 2010, the NC Conference had \$16,404,482 designated for this liability – that leaves an unfunded liability of \$29,614,483. This liability is different from the pension liability for the pre-1982 pension plan. A task force met a few years ago to come up with a plan for funding this liability and that report was made to annual conference. The task force felt that this liability should be actively managed now but funding other than what is currently held as designated funds should not be tackled until the pre-1982 pension liability is satisfied. The task force encouraged the insurance committee and board of pension to be mindful of these funding levels when proposing benefits and to be prepared to resume this discussion as we near full funding of the pre-1982 pension plan (that is currently projected to be around 2018).

Q: If we were to keep the insurance benefits at the current level, what would the new premiums be?

A: If benefit levels were kept the same, the premiums would need to increase overall by 15% in order to fund the expected claims. That 15% would need to be applied to the church portion as well as the personal portions.

Q: Listening to the report on insurance, there are three different groupings for insurance premiums, single, parent/child, and family. Why is there not a section for just a clergy person and their spouse? Would that fall under parent and child because there are two of them? If not why should parent and child get singled out for a cheaper plan than "family" and not a clergy person and spouse?

A: The coverage for parent/child does not cover clergy and spouse. Clergy and spouse would fall under the family plan. There is no option for just clergy and spouse. When this was started many years ago, the intent of offering the parent/child option was to provide some breaks to single parents with one child where there was not two incomes to help support it. As time has moved on, the structure has remained as it is to help to spread out the total cost and provide stability for each group. The insurance committee has chosen to take a pro-family stance and if there were a plan for clergy spouse only, the family rates would need to be much higher as those couples would come out of the family plan. The insurance committee has chosen to attempt to spread the cost so that the family plans are lower in cost than they may otherwise be for those who have more members in the household.

Q: What % of premiums for the Annual Conference's Health Insurance Plan are used to pay premiums?

A: The conference health insurance plan is self-funded so there is no percentage paid for premiums to another group except for stop loss premiums paid to reinsure claims over \$200,000. We pay just under 4% of total cost for stop loss coverage. For the health care costs, we pay the actual claims as a self-funded plan and not premiums for coverage.

Q: What % of premiums for the Annual Conference's Health Insurance Plan are used for administrative costs by BC/BS? and/or for other administrative costs on the conference level?

A: BCBS administration costs for service as a third-party administrator on our plan is just under 6% of total costs. The annual conference administrative cost is just under 2.5% of total cost. The premiums and total costs are projected to equal so the same percentage of premiums would apply.

Q: What % of premiums for the Annual Conference's Health Insurance Plan are used to fund reserves suggested by actuaries to protect the Plan from sudden increases due to significant increases in claims in a single year or several years?

A: There is currently no reserve build up factor built into the premiums as the reserve is at a sufficient funding level. The Insurance Committee works toward a stated reserve goal of six months of claims plus administrative costs.

Q: What % of premiums for the Annual Conference's Health Insurance Plan are used to fund the reserves for unfunded liability for retiree's health care costs?

A: There is not currently a factor built into health insurance premiums for the unfunded liability for retiree health care costs. The Task Force on Retiree Health proposed to conference that we work to manage these costs as much as we can over the next several years but more aggressively work to fund this liability after the pre-1982 pension liability is funded. The annual conference approved this proposal and the benefits are being studied each year. The current costs are paid through the annual conference budget line in Conference Claimants. As we approach completely funding the pension liability, the task force will come back together to develop and propose to annual conference a plan for fully funding this liability as well. If there is any surplus funding for retiree health from the budget, it is designated to the postretirement health liability funding.

Q: What % of Charges/Churches in the Annual Conference whose clergy/staff are eligible for the Plan are covered by the Plan?

A: We have 642 charges that are more than 50% appointments and, therefore, eligible for the conference health insurance plan. We have 401 clergy enrolled in our active clergy plan. Some churches provide health insurance for their lay staff and some do not. We have 47 lay staff enrolled in the plan including the conference lay staff and the lay staff from churches who provide benefits to lay staff.

Q: What % of Charges/Churches in the Annual Conference are led by clergy/staff who are eligible for coverage but are not covered by the Conference Health Plan?

A: We have 642 charges that are more than 50% appointments and, therefore, eligible for the conference health insurance plan. We have 401 clergy enrolled in our active clergy plan.

Q: What % of the annual premiums paid by Charges/Churches whose pastors are covered under the Conference Health Insurance plan are currently used to pay retirees' health care costs?

A: There is not currently a factor built into health insurance premiums for the unfunded liability for retiree health care costs. The current costs are paid through the annual conference budget line in Conference Claimants. If there is any surplus funding for retiree health from the budget, it is designated to the postretirement health liability funding.

Q: Given that clergy minimum salary has not increased in several years and we are proposing an increase in clergy insurance premiums, deductible, and copay costs, why are we not sharing some of that cost with an increase in the church portion of the insurance premium?

A: The proposals coming from the insurance committee were developed with the stated goal of not increasing the rates being billed to local churches. This goal was stated as a result of a request by CFA that costs to local churches be held constant or reduced after CFA's discussions of the current state of the financial health of many of our local churches. With the goals of keeping church costs steady while providing the most benefits as possible with a reasonable rate of increase for pastors, the insurance committee developed the proposal. It is for similar reasons that the equitable compensation committee proposed to keep minimum salary the same as many of our congregations are dropping from full-time appointments to part-time.

Q: I see where the proposed insurance premium for an active clergy family plus buy up for coverage at the current level is \$441.97 while a 15% increase to keep benefits at the current level is \$390.97 for an active clergy family. Why is the total for the proposed health insurance plan plus the buy up so much higher than just raising the premiums 15% for active clergy and churches?

A: The increase needed to sustain current benefit levels would be 15% of the personal plus church portion. For a family plan, the total monthly cost is \$1,258 (\$339.98+\$918.02). The amount needed for the current benefit levels for everyone would be 15% of that or \$188.70. The difference being proposed for the family rate plus buy up is \$101.99. It is not proposed to increase by the full amount because the BCBS underwriters, our benefits consultant, and other plan experience shows that we would not expect a 100% buy up participation rate. The amounts provided for rates were developed with the assistance of the underwriters, our consultants and our own experience.

Q: Has the insurance committee considered a future plan of charging different rates for those on incapacity by years of service before going on incapacity like we do for the retired clergy?

A: The benefits offered to our clergy on incapacity leave are determined by the Joint Committee on Incapacity (JCI) and not the Insurance Committee. The JCI looked at several models for cost sharing with clergy and the conference budget, including basing benefits on years of service prior to incapacity leave. This approach, if modeled like what is offered for retired clergy, would place some percentage of the total cost as the premium due by the participant and that cost includes the church portion. The JCI did not take that route since even the highest benefit level offered to retirees is a share of 10% of the cost by the retiree for those with 40 or more years of service. Since most of our clergy on incapacity leave are on the active plan to cover families, this cost would be much greater than is being proposed with the personal portion paid on the active clergy plan.

Q: Why are the clergy on incapacity going to be asked to pick up part of the local church's cost of health insurance when that ends up being far more than any retiree is going to pay for medicare companion build up?

A: This will be true for clergy on incapacity leave who are on the active health insurance plan in order to cover families as compared to retirees on the Medicare companion plan. Retirees who are on Medicare but also have the active plan to cover their families are billed for the active plan with the benefit being paid based on years of service. If the clergy person is on the Medicare supplement plan and not the active family plan, the cost will be similar to a retiree on the Medicare companion plan. There are some retirees who were grandfathered into paying a minimum monthly contribution for retiree health and the active personal premium is more than their minimum monthly contribution.

Q: What proposals are other Annual Conferences offering for the active, retired and incapacitated health clergy? What are other Annual Conferences of similar size doing now for the active, retired, and incapacitated clergy health insurance?

A: Health care is not mandated by General Conference, annual conferences have different levels and types of coverages. There are proposals for active clergy all over the board from different annual conferences with reduction in benefits. We are not aware of any annual conference proposing increasing benefits. There are also many differing levels of coverage for retiree benefits. There are conferences like ours that continue to offer health and prescription coverage, some that have dropped prescription coverage with Medicare Part D, and some conferences that have dropped retiree health and prescription coverage all together. There is not currently a centralized listing of what each conference offers. The benefits offered are not necessarily dependent upon conference size.

Q: Why are we leaning on the outlook of the business world for our main guidance on this without interacting with Scripture and Christian theology? I thought the Bible is primary and not the experience of the business world.

A: Each person on a conference committee or board is a United Methodist clergy or lay person. The first reliance is placed upon the blessing and promise of our Lord and Savior. One of the ways we are blessed is to have individuals who give their time and talents to lead us in the best of their abilities, centered in Christ, in laying a firm and solid foundation for the ministry within the NC Annual Conference. All of the work done and decisions made are done with prayer, reflection and consideration of how they support the one goal of making disciples of Jesus Christ for the transformation of the world. Sometimes there will be differing opinions of how we best approach that goal, but the goal remains the same. We are told over and over in the Bible to be in community with one another as we work in mutual accountability to one other - with ultimate accountability to God. "Suppose one of you wants to build a tower. Won't you first sit down and estimate the cost to see if you have enough money to complete it?" Luke 14:28

Q: I was wondering if a couple of options would be considered. For example, increasing the church portion for insurance and the premiums for the families to help reduce the burdening cost to the pastor and family.

A: The insurance committee worked with the stated goal of not increasing the premiums to local churches due to a request by CFA to work towards keeping costs to local churches steady or decreasing. CFA made this recommendation after review of local church economics and the financial load placed on churches for apportionments, benefits, etc. The increased premiums will be included in the discussion of the Insurance Committee report and will be open for considering other options as proposed.

Connectional Ministries

Q: Why is MERCI closing? Isn't there anything we can do as a Conference to assist MERCI?

A: When Banded Brothers assumed responsibility for managing MERCI 20 months ago, they brought a great deal of business experience and Christian passion to the Center. We are grateful for their vision, their leadership and for the ways they have enhanced the facilities in the months they have been involved there. After 18 months, it became clear, however, that the cost of operating MERCI as a disaster response and mission center is not sustainable. The Center is not supported by the Conference budget, but only by donations, and these have not been adequate for the operation of the Center since it was first established over 10 years ago. BB offered 3 proposals for the future of MERCI, one of which included a plan for expansion of the site under the BB leadership, to include more ministry opportunities like Emmaus walks and ministry retreats. This visionary option required Conference financial investment to bring the facilities up to standard for groups. The current budget for the NCC, funded by apportionments from NCC churches, does not have contingency funds or other expendable funds for such expansion. The other two options did not include BB involvement, but allowed the NCC to continue to operate the center as a disaster response facility as needed, or to dispose of the facility. While the final decision has not been made as to what will happen to the property, all the ministries of MERCI will continue at other venues and in ways that accomplish their purpose even if they look and feel different. We are grateful for the groups that have offered to carry on the work that previously was housed at MERCI.

Q: What plans are being developed to respond to the Bishops' Call to Action?

A: The Council of Bishops presented the Call to Action to speak to the alarming rate of decline and the crisis of relevance in the church today. The report is lengthy, over 200 pages, and the summary can be viewed online on Bishop Gwinn's webpage. A Leadership Summit in April brought together almost 100 leaders from across the NC

Conference to discuss the report and to answer questions that helped participants begin to think about ways to address the concerns in the report. Among the responses are Bishop Gwinn's challenge to the church to measure its progress in vital areas of ministry and witness. The Superintendent's role is being reshaped to provide less administrative work and more mentoring of clergy, with support and development of leadership skills. The Conference efforts in developing new faith communities and in transforming existing congregations to become healthy and vital in ministry, also are part of the response.