Report H.109
PERSONNEL SUBCOMMITTEE TO
EXECUTIVE COMMITTEE OF
PRESBYTERIAN MISSION AGENCY BOARD
April 27-29, 2016

The Presbyterian Mission Agency Board Personnel Subcommittee reports the activities of the Personnel Subcommittee meeting of April 20, 2016 to the Executive Committee:

I. FOR CONSENT:

No Items.

II. FOR ACTION:

The Personnel Subcommittee recommends that the Executive Committee approve for recommendation to the Presbyterian Mission Agency Board:

A. In light of the Board of Pension Benefits Plan redesign, the Presbyterian Mission Agency Board approves the following benefits framework for Presbyterian Mission Agency employees:

1) **All eligible employees participate in the Pension (11%) and Death and Disability (1%) plan.**
2) **All eligible employees will be given the opportunity for NO cost coverage for member-only Medical coverage level.**
3) **For any other Medical plan coverage level, eligible employees will pay a percentage of the unsubsidized rate for the option of their choice based on their salary level.**
    - **If salary is less than $44,000, then 2%**
    - **If salary is between $44,000 and $88,000, then 5%**
    - **If salary is greater than $88,000, then 10%**

And authorize the Presbyterian Mission Agency Board Executive Committee to make any further decisions that may be necessary to implement this framework prior to the September 2016 meeting of the Presbyterian Mission Agency Board.

Rationale:

The Board of Pensions benefits plan redesign, being implemented in 2017, provides a menu-based plan under which employing organization must choose the benefits it will offer, who will be eligible for benefits and how much employees will contribute to the cost of coverage.

This benefit plan will:
1. be as close to current offerings as possible and therefore not be a significant change for employees
2. keep benefits for all PMA employees (teaching elders and non-teaching elders) comparable

3. allow for affordable employee cost-sharing. Cost-sharing began in 2014 for dependent coverage. The increasing expense of medical insurance makes this cost-sharing necessary, in order to provide sustainable coverage for eligible employees.
4. minimize fluctuations in cost from year-to-year, while also producing savings for the Presbyterian Mission Agency budget.
5. offer benefits comparable to the Pastor Participation plan (required for installed pastors), allowing pastors who consider employment with the Mission Agency to have similar coverage.

A comparison of current employee cost sharing to estimated 2017 cost sharing is below.

Less than $44,000 annual salary					
Plan Option	Employee Salary	Current Annual Employee Contribution	Current Semi-Monthly Employee Contribution	Estimated 2017 Annual Contribution (2% of unsubsidized rate)	Estimated 2017 Semi-Monthly Contribution (2% of unsubsidized rate)
PPO-Member Only	$ 40,000.00	$ -	$ -	$ -	$ -
PPO-Member + Child(ren)	$ 40,000.00	$ -	$ -	$ 218.66	$ 9.11
PPO-Member + Spouse	$ 40,000.00	$ -	$ -	$ 302.30	$ 12.60
PPO-Member + Family	$ 40,000.00	$ -	$ -	$ 393.68	$ 16.40
EPO-Member Only	$ 40,000.00	$ -	$ -	$ -	$ -
EPO-Member + Child(ren)	$ 40,000.00	$ -	$ -	$ 185.86	$ 7.74
EPO-Member + Spouse	$ 40,000.00	$ -	$ -	$ 256.94	$ 10.71
EPO-Member + Family	$ 40,000.00	$ -	$ -	$ 334.62	$ 13.94

$44,000 - $87,999 annual salary					
Plan Option	Employee Salary	Current Annual Employee Contribution	Current Semi-Monthly Employee Contribution	Estimated 2017 Annual Contribution (5% of unsubsidized rate)	Estimated 2017 Semi-Monthly Contribution (5% of unsubsidized rate)
PPO-Member Only	$ 80,000.00	$ -	$ -	$ -	$ -
PPO-Member + Child(ren)	$ 80,000.00	$ 800.00	$ 33.33	$ 546.65	$ 22.78
PPO-Member + Spouse	$ 80,000.00	$ 800.00	$ 33.33	$ 755.75	$ 31.49
PPO-Member + Family	$ 80,000.00	$ 800.00	$ 33.33	$ 984.20	$ 41.01
EPO-Member Only	$ 80,000.00	$ -	$ -	$ -	$ -
EPO-Member + Child(ren)	$ 80,000.00	$ 800.00	$ 33.33	$ 464.65	$ 19.36
EPO-Member + Spouse	$ 80,000.00	$ 800.00	$ 33.33	$ 642.35	$ 26.76
EPO-Member + Family	$ 80,000.00	$ 800.00	$ 33.33	$ 836.55	$ 34.86

$88,000 or greater annual salary					
Plan Option	Employee Salary	Current Annual Employee Contribution	Current Semi-Monthly Employee Contribution	Estimated 2017 Annual Contribution (10% of unsubsidized rate)	Estimated 2017 Semi-Monthly Contribution (10% of unsubsidized rate)
PPO-Member Only	$100,000.00	$ -	$ -	$ -	$ -
PPO-Member + Child(ren)	$100,000.00	$ 1,000.00	$ 41.67	$ 1,093.30	$ 45.55
PPO-Member + Spouse	$100,000.00	$ 1,000.00	$ 41.67	$ 1,511.50	$ 62.98
PPO-Member + Family	$100,000.00	$ 1,000.00	$ 41.67	$ 1,968.40	$ 82.02
EPO-Member Only	$100,000.00	$ -	$ -	$ -	$ -
EPO-Member + Child(ren)	$100,000.00	$ 1,000.00	$ 41.67	$ 929.30	$ 38.72
EPO-Member + Spouse	$100,000.00	$ 1,000.00	$ 41.67	$ 1,284.70	$ 53.53
EPO-Member + Family	$100,000.00	$ 1,000.00	$ 41.67	$ 1,673.10	$ 69.71

Questions and Answers

What are the differences between the current HMO plan that the majority of Louisville-based employees have now and the PPO and EPO plans being offered beginning in 2017?
We have not yet received details for the 2017 medical plans but employees will experience some differences. Currently, the majority of Louisville-based employees participate in the Anthem Blue Cross Blue Shield HMO medical plan. This plan will not be offered beginning in 2017 so employees must change to either the PPO or EPO plan. We anticipate employees will experience higher deductibles, higher out-of-pocket maximums and higher medical and prescription co-pays, but they will likely not have to change their providers as the network remains the same.

Why and how were the 2, 5 and 10% percentages chosen for employee cost sharing?
The PMA implemented employee cost-sharing in 2014 for employees whose annual salary was $44,000 or more. Employees with an annual salary less than $44,000 currently do not participate in cost-sharing. The PMA must be good stewards of the funds entrusted to us while also finding a just balance between providing a quality no-cost benefits program for our employees and sharing the cost with employees based on their specific individual needs. Our cost-sharing recommendation provides for the lower compensated employees to share a very low amount on a bi-monthly basis while implementing higher cost sharing ratios for the higher compensated employees. We felt we should implement some level of cost sharing with employees making less than $44,000 now, with a low 2% amount, so we would begin the process of cost sharing and prepare them for possibly higher percentages in the future. We increased the cost sharing percentages for employees at higher compensation levels from 1% of effective salary to 5% and 10% of the medical option premium rate.

How were the salary groupings for cost-sharing created?
In 2014, the PMA selected $44,000 as the basis for determining which segment of our employee population would participate in cost-sharing. We chose this salary level because this was, and currently still is, the minimum effective salary established by the BOP. We are recommending that we continue to use this salary as the top of the first percentage level of 2%. The next percentage level cap was determined by simply doubling the minimum effective salary.

Rates for employees earning $80,000 will actually go down in some situations and the increases are fairly small. This is also true for rates in the highest income group for some of the coverage options. The lowest income group is seeing the most significant cost increases in 2017. Why?
Employees with a base salary $44,000 or higher began cost-sharing in 2015 by paying .05% of their effective salary. In 2015 this increased to 1% of effective salary. Employees with an effective salary less than $44,000 have not participated in cost-sharing, but, under this recommendation will begin paying 2% of the premium rate of the option they choose. Since 2017 is the first year employees in this group will cost-share, their rates are just now being established. Employees in the higher salary groups have been paying more than the first grouping for 2 years and, based on the option they choose, may experience either an increase or decrease in their cost-sharing. We established the 2, 5, and 10% cost-sharing options specifically so those in the lowest salary grouping experience significantly lower cost-sharing rates compared to the other 2 salary groupings going forward.

Why has the PMA chosen not to offer the Pastor Participation option?
The Mission Agency's employee population is composed of approximately 18% teaching elders and 82% non-teaching elders. None of our teaching elder employees are installed to their position with the Mission Agency. The Pastor's Participation plan is designed for teaching elders serving as installed pastors and is intended to support the community nature of the Board of Pensions plan for all installed pastors. While the Mission Agency has the option of offering the Pastor's Participation plan to our teaching elder employees, we too believe in the community nature of the plan, particularly within our own work force.

We feel we can best live in to a just, community nature by providing comparable benefit options to all employees. The options we are providing were selected so that teaching elders coming into or leaving employment with the PMA would not be significantly impacted. The primary difference for teaching elders is that, while they will receive member-only coverage at no cost, they will have cost-sharing for any other level of medical coverage. When making this decision we could not ignore the importance of the cost differential between offering and not offering pastor participation. We estimate the cost savings to be approximately $200,000 or more per year.

B. That the Presbyterian Mission Agency Board replace the current Lay Equalization Program with a 403(b) benefit program for eligible employees who are not "ministers performing services in the exercise of ministry."

Rationale:

Since 1984, the Presbyterian Mission Agency (formerly the General Assembly Council) has had a "lay equalization program" which sought to provide equivalent levels of effective compensation through a 403(b) tax-deferred plan for exempt non-teaching elder employees. This benefit was designed to balance the tax advantages received by teaching elders "performing services in the exercise of ministry."

In light of the Board of Pension of Benefits Plan redesign and pending changes to the Department of Labor minimum salary for a position to be classified as exempt from overtime, the Presbyterian Mission Agency is working to close the gap between the benefits offered to exempt and non-exempt employees.

This recommendation would eliminate the Lay Equalization Program and replace it with a new benefit for all employees, both exempt and non-exempt, who are not "ministers performing services in the exercise of ministry" (the standard for the tax advantage held by most teaching elder employees.)

In the Lay Equalization Program, equalization was determined through an annuity table that calculates the estimated tax advantage an employee receiving a manse allowance would receive over an employee who does not receive this allowance. The table typically provides a higher percentage of employer contribution to the 403(b) tax-deferred plan for higher paid employees. The new proposal eliminates that advantage and provides a four percent annual employer contribution for all eligible employees. Four percent was chosen as the percentage of employer contribution because it is the rounded-up median between the lowest and highest percentages paid.

III. FOR INFORMATION:

A. Approved the minutes of the meeting of the Personnel Subcommittee held on January 7, 2016.

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Josephene D. Stewart, Chair