



**EPC**

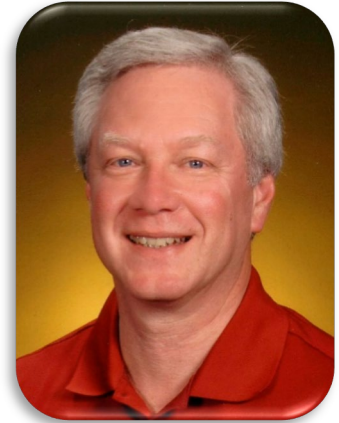
A Global Movement of Evangelical Presbyterian Churches

COMMITTEE REPORT

**Benefit Resources, Inc.**  
**Board of Directors**  
Report to the 39th General Assembly

**Mission**

*Improve the health, wellness, and retirement security of all EPC staff by providing a complete suite of benefits that meet their needs at competitive prices and that are portable, convenient, and consistent with EPC Values and EPC BRI Fiduciary Responsibilities.*



Ron Horgan  
Chairman

In pursuing the mission of EPC Benefit Resources, Inc., we humbly submit the following report of the plans, activities, and results for the last year:

**Summary of Work, 2018-2019**

Health and Wellness:

- To ensure a flexible and competitive health plan, implemented a new Bronze level of coverage to the medical plan and adjusted plan benefits at all levels.
- New Wellness Plan incentives to recognize tangible preventative and wellness behaviors. Program made available to all TEs, not just those participating in medical plan.
- New rare disease Prescription Drug care and cost management through Accredo (*Projected Savings in 2019: \$150,000 to \$200,000*)
- Restructured and negotiated new Stop Loss coverage (Projected Savings in 2019: up to \$300,000). The stop loss policy protects our plan from unusually high and unexpected claims.
- Transitioned to new HSA administrators, with user-friendly technology, ability to invest HSA funds to grow balance, great customer service, and educational/cost saving tools for participants.
- Express Scripts—Negotiated better pharmacy network cost discounts, higher rebates, lower administration fees.
- Highmark—through our support and association with the Church Benefits Association, negotiated 30+% reduction in the administrative portion of the fees and more reporting transparency.



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### Retirement Security

- Reduced the fee charged to smaller 403(b)(9) accounts in order to ease the administrative cost burden for our beginning savers.
- Replaced one under-performing fund and added the 2065 target date fund to ensure that we continue to offer a menu of investment choices with competitive performance and low-cost fees.

### Administration and Communications

- Initiated “For your Benefit,” a recurring member communications channel.
- Built/improved comprehensive database to effectively reach benefit participants, benefit administrators, and non-participating churches most effectively for newsletter and other purposes
- Caroline Swanson joined the BRI staff to provide greater responsiveness to member requests and questions.
- For Benefit Administrators, updated Administrator Handbook, added website resources, created EPC Benefit welcome package for new churches.

### Trends and Challenges

- The Medical Plan experienced unusually high claims in 2018, requiring use of some reserve funds.
- 45% of member’s retirement savings are now invested in Target Date Funds, which automatically adjust investment risk levels as you age.
- In general, the participants in our plan do not take advantage of proactive steps to ensure their wellness. The data indicates that 64.8% have not taken advantage of the free annual checkup with their doctor and at least one out of four of us are not getting the preventative health screenings recommended for their gender/age/history profile.
- Participation by churches in our benefit plans generally remained flat. Roughly one-third of churches do not provide these EPC benefits to their pastors and staff. Our plans are designed to benefit our EPC pastors and staff—and are cost competitive. We would encourage any church not participating to contact the EPC BRI office so that we can demonstrate the advantages of participation.

### **Recommendations to the 2019 General Assembly:**

#### **1. Recommendation 39-15:**

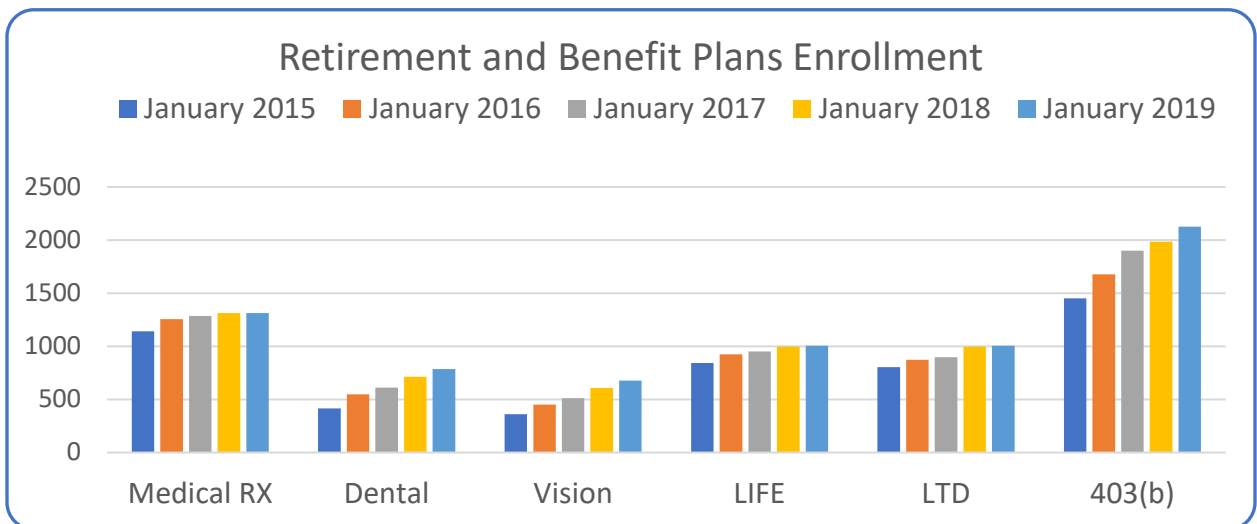
That ordained ministers drawing retirement income from the EPC 403(b)(9) Defined Contribution Retirement Plan be allowed to designate up to 100% of their



retirement income for housing allowance as permitted by applicable regulations adopted pursuant to the Internal Revenue Code.

**Work of the Board of Directors 2018-2019**

**Plan Participation**



**Medical.** Enrollment in the EPC Medical Plan maintained virtually the same level in 2019 as the previous year. 1,313 pastors and staff have elected coverage for themselves and their 2,276 dependents; bringing the total to 3,589 lives being covered by our plan.

We believe that roughly one-third of the eligible staff are not covered by the EPC’s plans because their church employers have sought insurance coverage elsewhere. To those churches we would emphasize that while you might find coverage which is cheaper in a particular enrollment year or for a particular age group, you will not find coverage administered by people who care more about the wellbeing of our combined EPC staff. And with coverage you secure in the open market, your premiums are likely paying for medical and Rx services that run counter to our beliefs as evangelical Christians. The EPC plan is “portable,” so coverage and annual deductibles are unaffected after a mid-year, out-of-town move. In last year’s high claims discussed below, we saw several of our EPC members who had to rely on the resources of our whole group to meet the unusually high medical expenses they had this last year. There is truly strength in numbers and it is a blessing when we can band together to meet these needs (Acts 2).

**Retirement.** At December 2018, there were 2,126 participants—an increase of 142 members.



There appears to still be about one-third of EPC churches who do not have any pastor or staff participating in the 403(b)(9) plan. That may be because they feel they have the employees retirement funding taken care of in some other way, or it may be because the employees and Pastor are just part-time, or they simply feel they cannot afford it. We would encourage the leadership of those churches to reconsider.

- In order for a Pastor to take advantage of the housing allowance in retirement, their plan must be a 403(b)(9) plan. The EPC's plan is a 403(b)(9).
- Part-time employees are eligible to participate in the EPC plan, and it is a good, tax-advantaged way for them to save for their retirement.
- The future financial cost of a pastor or staff member's retirement years is a real cost that should be provided for while they are working. We believe that a church that is not considering this cost now and not helping the pastor and/or employee set aside retirement funds now is being shortsighted. Our Plan offers 22 carefully selected investment options, a brokerage window that adds a virtually unlimited array of additional investment choices and free investment guidance.

**Other Coverages.** We offer Dental, Vision, Life, and Disability coverage as well. Enrollment in those plans all increased with the 2019 Open Enrollment.

There are 785 participants in the Dental Plan provided by insured by Principal, 677 participants in the Vision Plan provided by EyeMed, and 1007 participants in both the Life and Disability plans provided by The Hartford.

### **Medical Plan Claims in 2018-19**

We are pleased to report that our medical plan is stable and well-funded through a combination of premium collections and reserve funds. As you may recall from last year's report, we had begun to experience a period of higher-than-usual medical claims. In fact, that trend continued for much of calendar 2018, resulting in plan expenses that were \$1.6 million (10.1%) higher than forecast and 13.8% higher than 2017 claims (on a per-plan participant basis). The cause was two-fold: 1) some expensive claims incurred in prior years that were not finally submitted for payment until 2018, and 2) a spike in the number of our members experiencing significant medical events and treatment.

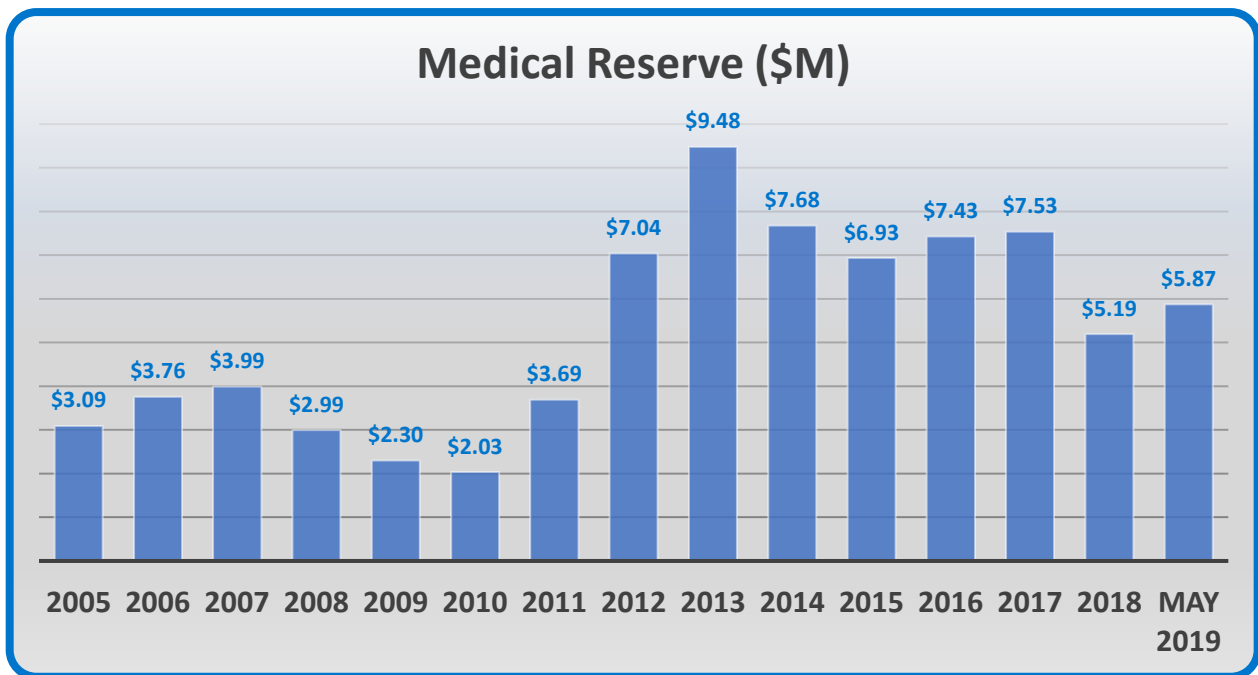
As for the prior period items, they were found to be valid claims and were appropriately paid, but the experience led to the implementation of new reporting safeguards to alert us to similar future pending claims. The general increase in claims activity, while unexpected, was not out of the statistical range of normal peaks and valleys for our 3,589 member and dependent population. A medical event or treatment costing more than \$100,000 is rare and would be a dramatic event for any of us. In 2018 there were 22 members of the EPC



plan that experienced this—twice as many from 2017. Let’s thank God that the resources of the EPC plan were there for these members.

Due to these additional claims, BRI found it necessary to rely on a portion of financial reserves that had been set aside in previous years, and increase the 2019 medical plan premiums more than we had hoped. We are keenly aware of the impact that rate increases have on the churches budgets and the employee premium shares that support this plan. Fortunately, we did not see any drop-off in enrollments going into 2019 and we thank you for your continued support of the plan.

At the time of this writing (April 2019) we are thankful to report that claims have been trending down. Through the first quarter of 2019, BRI has paid approximately \$3.7 million for the medical care of our members, compared to roughly \$5.3 million over the same period last year. Even without the prior period (non-recurring) items, our claims experience is 22% less so far this year. This, in combination with the premiums our members are paying for their coverage this year, have greatly stabilized the financial condition of our plan. The reserves that provide the safety net for our plan stood at \$5.87 million as of early May 2019.



**Other Medical plan changes**

Bronze Level Coverage

Effective January 2019, we began providing a new, lower-cost level of coverage. While we continue to offer Platinum, Gold, Gold HDHP, and Silver coverage levels, this level was



added to provide our churches and membership a lower-price plan. The Bronze HDHP plan carries premiums that are 27% below the Gold plan. This plan is a high-deductible plan designed to cover 60% (on average) of a participant’s medical bills, so it is most appropriate for healthy participants wishing to build their health savings account values. As you can see following chart, in the first year, enrollment in the new Bronze level plan is minimal.

**Participants’ Distribution Among Medical Plans**

	2013		2018		2013-2018 Change	2019
Platinum	211	24.4%	191	14.56%	-20	165
GOLD	543	62.7%	805	61.36%	262	815
GOLD HDHP	112	12.9%	178	13.57%	66	183
SILVER	N/A	N/A	138	10.52%	138	146
BRONZE	N/A	N/A	N/A	N/A	N/A	4
<i>Total #</i>	866	100%	1,312	100%	446	1,313

Specialty Rx

Also effective with 2019 plan year, the EPC implemented a new method for our members to receive Specialty Prescriptions. These are the very expensive medications required to treat chronic and rare conditions. During 2018, our plan spent more than \$2 million on drugs in this classification through a variety of channels that did not provide consistent pricing and oversight of care to our members. Beginning January 1, 2019, these drugs will only be covered when dispensed through a division of Express Scripts called Accredo where our plan will receive preferred pricing—and more importantly, we will be assured of a higher level of patient case management and care. We expect this change to save the EPC plan \$150,000-\$200,000 annually.

Highmark Fee Reduction

We are a self-insured plan, meaning that all claims and processing fees are paid by the EPC, not an insurance company. For our medical provider network and claim processing we



have contracted with the national Blue Cross/Blue Shield Association through Highmark to administer our plan (which involves processing 40,000 claims and handling 2,000-member service calls per year). The EPC participates in the Church Benefit Association with many other denominations to collectively negotiate the terms of Highmark's contract. In 2018, our plan paid \$756,000 to Highmark for their administrative services to our plan. That represents 6% of our annual claims, or about \$207 per person covered by our plan. A new contract has been established for 2019-21 that will result in annual savings for the EPC of \$169,000.

### Sharecare Wellness Plan

An important goal for BRI is improved health for all those who serve at EPC churches and within EPC World Outreach. With the rising cost of medical care, steps we can all take to become healthier is one proven way to reduce our medical costs. From the claims data of our enrolled employees, we know that only 35.2% take advantage of the free annual checkup, and that at least one in four are not getting the preventative annual screenings that would be recommended for their age and health history.

The new Sharecare wellness program is available to all who are enrolled in our medical plan, and is also open to Teaching Elders who are not currently enrolled in the EPC medical plan.

Participants in the program will qualify by completing their annual physical with their primary care physician and completing a REAL AGE test. Participants can earn additional credit by completing recommended age/gender relevant health screenings, engaging a health coach at Highmark, or meeting self-selected good health behaviors. Participants who meet the program goals can earn a \$75 incentive.

Information on the plan and signup instructions were sent to all churches and medical plan participants in the March 14 edition of For Your Benefit. If you missed that you can find everything you need to get started under the **Wellness Program** section of **Benefits** at [www.epc.org/benefits](http://www.epc.org/benefits).

### Retirement Plan Review

Despite the equity markets slide in the 4th quarter of 2018, the assets of our Retirement Plan remained level due to continued contributions by existing members and an influx of new plan participants.

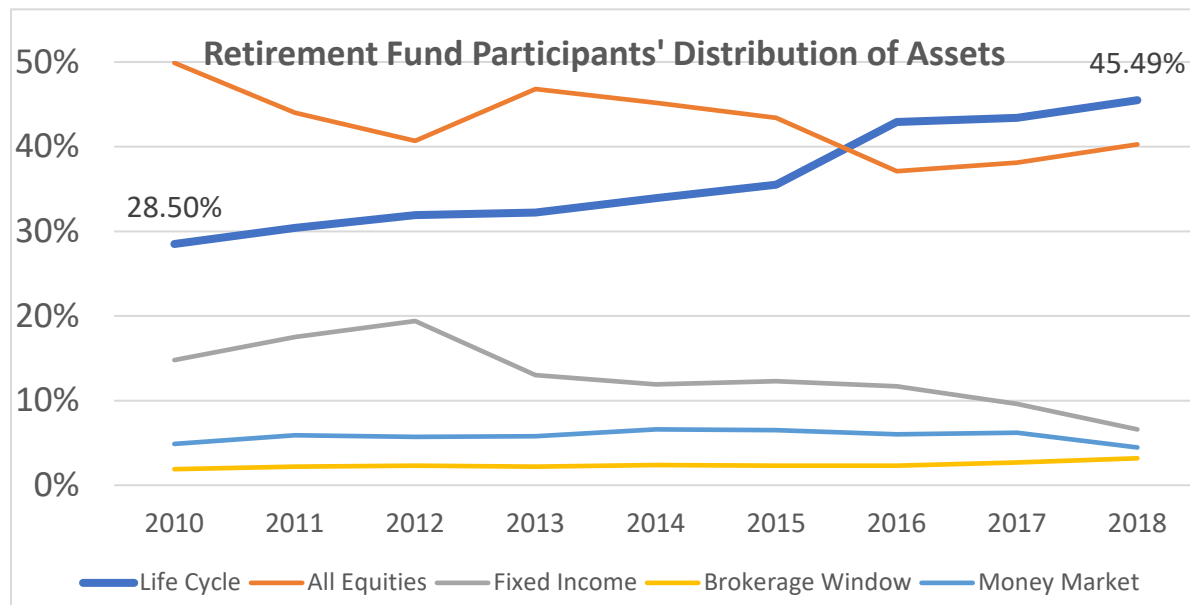
The 2,126 accounts that make up our plan held \$124.4 million at the end of 2018, or an average balance of \$59,000 per participant.

As can be seen in the chart below, 45% of the value of member's accounts was invested in Life Cycle or Retirement Target Date funds, a product that automatically and gradually



reduces the member’s exposure to investment risks as they approach retirement. The increasing use of these Life Cycle funds is a positive trend.

The remainder of members retirement savings is invested in various equity funds (41%) or fixed income funds (11%) offered by the plan. In addition, members have chosen to invest 3% through the plan’s brokerage window which allows direct investment in virtually any market listed security. Pastors and all eligible employees have the opportunity to invest in many additional securities and are able to “roll over” current retirement investments and 401k funds. Please call the BRI Office to better understand how to execute this entry into the EPC Retirement Plan and to learn the personal advantages by doing so.



2018 was a volatile year for the investment markets. The MSCI World Equity Index was down 10.1%, the Barclays Global Bond Index was down 1.2% and the U.S. Equities Standard and Poor’s 500 Index was off by 6.2%. As a whole, investors in the EPC 403(b)(9) plan experienced returns of -4.25%. Markets recovered during Q1 of 2019, with the average investment in the EPC 403(b)(9) plan yielding a personal rate of return of 10.5% over those 3 months.

The Investment Committee of BRI meets quarterly with our retirement plan consultant to evaluate the performance, cost, and risk profile of each of the investment options offered under the EPC 403(b)(9) plan. During 2018, 18 of the 22 funds in our plan equaled or exceeded the performance of other similar funds in the marketplace. All 22 of our funds had lower fund expenses than their marketplace counterparts. The average all-in expenses paid by participants in our plan is one half of one (0.005) percent.





As you may recall from last year's report, BRI made significant changes in the funds that were offered under our plan during 2017. Accordingly, few changes were made to the plan this year. One fund, Fidelity Stock Selector (which had been on the Committee's watch list for subpar performance) was removed and replaced with Fidelity Small Cap Index Fund.

Another positive change to our plan this year was the implementation of reduced account fees for our smallest accounts. As you may recall, there are three components to the plan's fee structure. One is a 0.15% fee charged by Fidelity for keeping the record of your account. The second is the fund expenses already reflected in the return of your particular investment. These vary by investment, but range between 0.01 and 0.65%. The third component is the participant fee charged by the EPC to cover administration the plan. EPC resources are required for plan enrollment, accounting for monthly contributions, processing distributions, servicing our member base, and the oversight provided by our consultant to make sure our plan remains fair and competitive.

The fee for the third component is \$22.50 per quarter per account. (\$90/yr). Effective with the 2<sup>nd</sup> quarter 2019, that fee is being reduced to \$11.25 for any account with a balance less than \$2,700 and is waived completely for accounts with a balance less than \$1,200. This action is intended to encourage beginning savers.

Because the EPC Retirement Plan is a 403(b)(9) plan, ordained pastors retain the ability to claim up to 100% of their annual retirement withdrawals as Housing Allowance exempt from Federal income tax.

Finally, we take this opportunity to remind participants of the availability of advisors to assist in reviewing portfolios should you so desire. We suggest that, at least annually, each Participant contact Fidelity by calling 1-800-642-7131 to make an appointment with an investment advisor for a free review of the Participant's portfolio, its relative performance, and determine whether there might need to be a change in investment philosophy, which could lead to changes in investment choices among the Vanguard Target Retirement Date Funds and 11 different recommended mutual funds that have a wide variety of investment strategies.

### **The Future**

The EPC Benefit plans are in a solid position to provide care and support for our members. Our plans are designed to be a partnership with our members, so we encourage you to take these steps over the next year for our joint success to ensure your health, wellness, and retirement security:

- If your church does not participate in the EPC Benefit plans, put that option in front of your leadership by contacting the BRI Office.



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- Make it a personal goal for you, your family, and your staff to get your annual medical checkup done (including bloodwork).
- Follow up with your physician to complete all the recommended health studies and screenings (mammogram, colonoscopy, lung screenings. etc.).
- Regular exercise and commitment to maintaining a healthy weight.
- Set a goal to put 15% of your income away for your retirement. This can be through a combination of church contributions (10% for Pastors required by Acts of the Assembly) and personal payroll deducted contributions.

It is a privilege to serve on the BRI Board, because the benefits plans we oversee are for the benefit of those who serve Christ in the EPC. I want to thank my fellow Board members for their dedicated service.

[www.epc.org/files/ga2019document-bribenefitsplanauditedfinancialstatements](http://www.epc.org/files/ga2019document-bribenefitsplanauditedfinancialstatements)

[www.epc.org/files/ga2019document-briretirementplanauditedfinancialstatements](http://www.epc.org/files/ga2019document-briretirementplanauditedfinancialstatements)

### **Recommendations to the 2019 General Assembly:**

#### **1. Recommendation 39-15:**

That ordained ministers drawing retirement income from the EPC 403(b)(9) Defined Contribution Retirement Plan be allowed to designate up to 100% of their retirement income for housing allowance as permitted by applicable regulations adopted pursuant to the Internal Revenue Code.

Grounds: To do so permits retired, ordained ministers to take advantage of this significant tax benefit in retirement, thereby making more of their retirement income available for living expenses. Adopting this recommendation on an annual basis provides retired ministers with a readily available reference, if asked by tax authorities.



**EPC BRI Board Members:**

TE Ron Horgan (Chairman), Presbytery of the Mid-Atlantic  
RE William Barnes, Presbytery of the Midwest  
RE Michael Busch, Presbytery of the Alleghenies  
RE Robert Draughon, Presbytery of the Central South  
Michael Moore, Presbytery of the Central South  
TE Erik Ohman, Presbytery of the West  
RE Kim Ray, Presbytery of the Pacific Southwest  
TE Bill Reisenweaver, Presbytery of Florida and the Caribbean  
Randy Shaneyfelt, Presbytery of the Great Plains

**Benefit Resources Inc. Board Meeting Dates:**

August 6-7, 2018—Orlando, FL  
October 10, 2018—Video Conference Call  
December 20, 2018—Video Conference Call  
February 26-27, 2019—Orlando, FL  
June 11, 2019—Video Conference Call

Respectfully submitted,

Ron Horgan  
Chairman

June 2019