

EPC Benefit Resources, Inc.
Board of Directors
Report to the 41st General Assembly



Randy Shaneyfelt
Chairman

EPC BRI's vision is to improve the physical and financial well-being of pastors, their families, and eligible lay employees in Christian ministry in order that they would be better equipped to fulfill their callings. Our mission encourages plan participants to improve their health, wellness, and retirement security.

To fulfill our mission, we provide a complete suite of benefits that meet participants' needs at a competitive cost and are portable, convenient, and consistent with EPC values and EPC BRI fiduciary responsibilities. Our goal is to accomplish this mission and vision by providing competitive benefit plans, create plan stability, encouraging wellness programs, and providing flexible and above-benchmark-performing retirement plans—all through a structure of efficient and cost-effective premiums and expenses. We also seek to create high member support, participation, and satisfaction.

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:

Highlights of 2020-21

Health and Wellness:

- 2021 premiums in the medical plan were increased on average a modest 3.6% with some age groups seeing rate decreases. The premium changes reflect a conservative actuarial forecast of claim uncertainty post-COVID-19.
- For the year (2020), paid medical and Rx claims were 0.9% lower than 2019, reflecting impact of the pandemic and management initiatives to lower cost.
- EPC BRI co-pay relief programs saved plan participants with high medical costs \$77,000.
- The wellness profile of EPC members reveals health status concerns that impact the joy of life and risk of future medical claim cost.

- We still must note that some EPC churches still do not participate in the medical plan. As described further in this report, our EPC medical plan provides excellent coverage through a top tier nationwide network of quality hospitals and providers. As a self-insured plan, the premiums our churches and members pay are used exclusively to provide medical care for our members and the plans offered reflect our values as Christians. In effect, EPC member congregations are a sharing network for each other's medical costs. We strongly encourage all churches to consider participating to support one another in ministry.
- During 2020 BRI's Director worked closely with OGA leadership and staff in providing support to many congregations with the interpretation and filing for federal CARES Act and Payroll Protection Act funding critical to securing the financial position of member congregations.

Retirement:

- This plan is a 403(b)(9) Defined Contribution church plan, and ordained pastors retain the ability to claim up to 100% of their annual retirement withdrawals as income-tax-free Housing Allowance, even into retirement.
- The average account balance for Plan participants grew by 17.14% during 2020, from a combination of positive investment returns and employee/employer contributions.
- Collectively, plan participants saved a total of \$39,900 due to the renegotiation of Fidelity account service fees.
- Our Plan offers 24 funds to select from, including 12 effective, highly-rated Target Date Funds that allow account funds to become more conservatively invested automatically as a participant ages.
- In addition to free professional investment advice that is always available, participants are now eligible to enroll in Fidelity's Personalized Planning and Advice service.
- Many members took advantage of educational webinars and other financial tools offered through their personal account login on Fidelity's NetBenefits webpage.

Recommendations to the 2021 General Assembly:

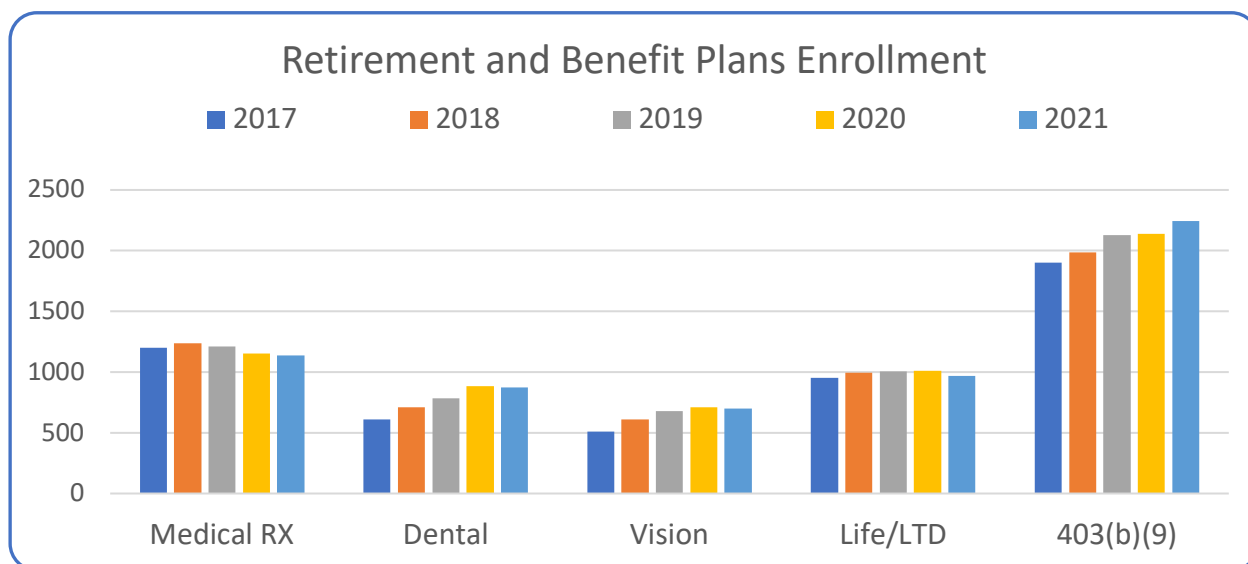
Recommendation 41-24:

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.

Participation Overview

A total of 3,265 clergy/staff and dependents were enrolled in our Medical/Rx Plan, and 2,245 retirees, clergy, and staff were enrolled in the Retirement Plan during 2020. The chart below reflects employee enrollments (without dependents), which has been stable for the last 5 years in the Medical Plan, with increased participation in Dental, Life, Vision, and Retirement plans. The Medical Plan experienced a slight decline in enrollment during 2020 due to EPC church staff reductions and furloughs from the pandemic. EPC congregations anticipate the return of some staff during 2021.



All full-time¹ clergy and staff at EPC churches and EPC associated ministries are eligible to participate in the benefit plans sponsored by BRI. Higher participation advantages all members and their sponsoring churches. If your church has not taken advantage of these important benefit offerings for your clergy and staff, or if you would simply like to explore the benefit offerings and costs, we welcome your inquiry to our Executive Director, Bart Francescone, at 407-930-4507 or benefits@epc.org.

We understand that member EPC churches and staff have varying needs when it comes to medical coverage. To meet these needs, BRI offers 5 different plan levels, with varying premium levels. Experience reveals a migration of enrollment from the richest coverage plans into lower cost plans, where the members share a higher portion of their medical costs but also can realize the benefit of healthier lifestyles and the savings from making smarter decisions on medical services. More than 30% of our members are enrolled in Gold HDHP, Silver, or Bronze HDHP plans, compared to 13% seven years ago.

Medical Plan Claims Experience and COVID Impacts

We are pleased to report that our Medical Plan continues to be stable, through a combination of premiums collected and reserves available. As a self-funded insured health plan, overall health claim risk is shared across the 3,265 member and dependent population. The more EPC clergy/staff who participate in the Plan, the more the risk of unexpected medical claims is mitigated. EPC BRI believes all member congregations

¹ Full-time is defined as 30 hours of paid employment per week.

working together will further strengthen the plan for all participants, spreading the risk on a larger membership base.

For 2020, total medical/Rx claims paid were \$15.84 million. Claims were reduced from 2019, due to deferral of elective procedures, the general slowdown in healthcare treatment during the pandemic, and actions by BRI management to implement cost-saving strategies to strengthen the plan.

A total of 36.4% of claims paid for 2020 was incurred by just 32 members who experienced high-cost claims—an average of \$180,079 each. A health crisis can arise for any of us at any time. A crucial role of the EPC BRI plan is to stand in the gap so that the health crisis does also not become a financial crisis. Thank God the resources of our plan, made possible by the members and churches who participate in our plan were there for these families.

While the financial cost to our plan of COVID-19 was not significant during 2020, we want to acknowledge the personal loss which some of our churches and their families experienced. We pray that...

The peace of God, which passes all understanding, shall guard your hearts and your thoughts in Christ Jesus (Philippians 4:7 ASV).

As for the financial costs of COVID, the plan incurred claims of \$466,000 for COVID testing of 900 individuals, and another \$142,000 in claims for 102 members who were confirmed to have the virus. The cost of the vaccine and its administration is being absorbed by the Federal government when a public vaccination site is used. However, as required by law, the plan covers the cost of the vaccine and its administration for all of our members who receive it elsewhere.

In 2021, the EPC plan implemented several adjustments to plan benefits designed to keep our plan competitive and comparable to marketplace insurance plan alternatives. All healthcare plans are designed to share costs between the plan and the member. In recent years, plan deductibles and co-pays had not changed in any significant way, yet the overall cost of healthcare continued to rise. As a result, the plan was paying a larger portion of costs than comparable marketplace plans. Increases in some of the plan deductibles and co-pays were implemented, effective January 1, 2021.

Medical Reserve Fund

Our medical plan is “backstopped” by stop/loss insurance to cover atypical, high-cost claims. This coverage will pay the cost of claims that exceed a certain specified threshold for any individual claimant and covers claims over a certain threshold collectively for the plan. The plan is also protected by reserves, which are an accumulation of member premiums not required to pay claims in previous periods. These same funds that were set aside remain available to cover periods of excessive claims and to stabilize annual rate adjustments.

During 2020, added \$1.5 million to the reserve fund, thanks to recovering investment markets and the reduced claims trend in the medical plan. Actuarial analysis forecasts increased claims experience in 2021 as costs related to deferred elective procedures and

untreated emergent health conditions undiagnosed during the COVID begin to emerge. On December 31, 2020, EPC BRI reserves stood at \$7.4 million. This represents approximately 6 months of average plan claims, and by opinion of our actuary and your Board are an adequate and appropriate amount of reserve.

Other Medical and Health Plan Changes

With the onset of the pandemic and quarantining, the use for the EPC telemedicine service “98point6” surged. Through the service, participants can speak 24/7 with a licensed physician, receive diagnosis or a referral, and also receive a prescription order when appropriate. All co-pays for these virtual primary care visits were waived at the onset of the pandemic. The EPC BRI dental benefit remains the second most popular health benefit, with the plan features and premiums unchanged from 2020 to 2021.

Effective January 1, 2021, our vision benefit provider was changed to National Vision Administrators. The benefit levels were enhanced and premium rates were reduced! Life and Disability Insurance continues to be provided through The Hartford and premium rates remained unchanged for 2021.

Member Health Profile

The health of EPC members is of critical importance to the BRI Board. The overall health of membership directly impacts the cost of healthcare covered by the plan, but much more importantly, the health of our members directly impacts the work of caring for and leading EPC congregations in sharing the gospel!

Each year, Highmark BCBS provides EPC BRI with statistics based on EPC member use of the healthcare system. This provides greater insight to the overall health of EPC members. Here are a few highlights on the health of EPC members:

- 1 in 9 EPC Pastors and staff—and 1 in 14 of their spouses—had no medical claims in the year. This means those members were not even availing themselves of no-cost preventative care services the plan provides, such as annual physicals and screenings and procedures for cancer detection, diabetes, heart disease, breast cancer, and immunizations such as flu vaccines. Without these screenings, health risks remain unknown. Evidence-based medicine has proven that required health screenings save lives.
- In total, 54% of EPC membership did not receive a basic annual physical. This is actually an improvement from previous reports, but represents the largest opportunity to discover early-stage health conditions while curability rates are the highest.
- About 1 in 5 EPC members are classified as high- or very-high-health-risk due to the presence of one or more chronic health conditions. Predominate risk conditions are diabetes, hypertension, obesity, high cholesterol, and cancer. In addition, mental health concerns—which exacerbate any of these underlying conditions—is of growing concern among our membership. And this is likely under-reported, with the substantial portion of the EPC membership not receiving annual physicals and therefore whose risks are simply not known.

Please, make it a personal goal to take advantage of these important benefits in the next year.

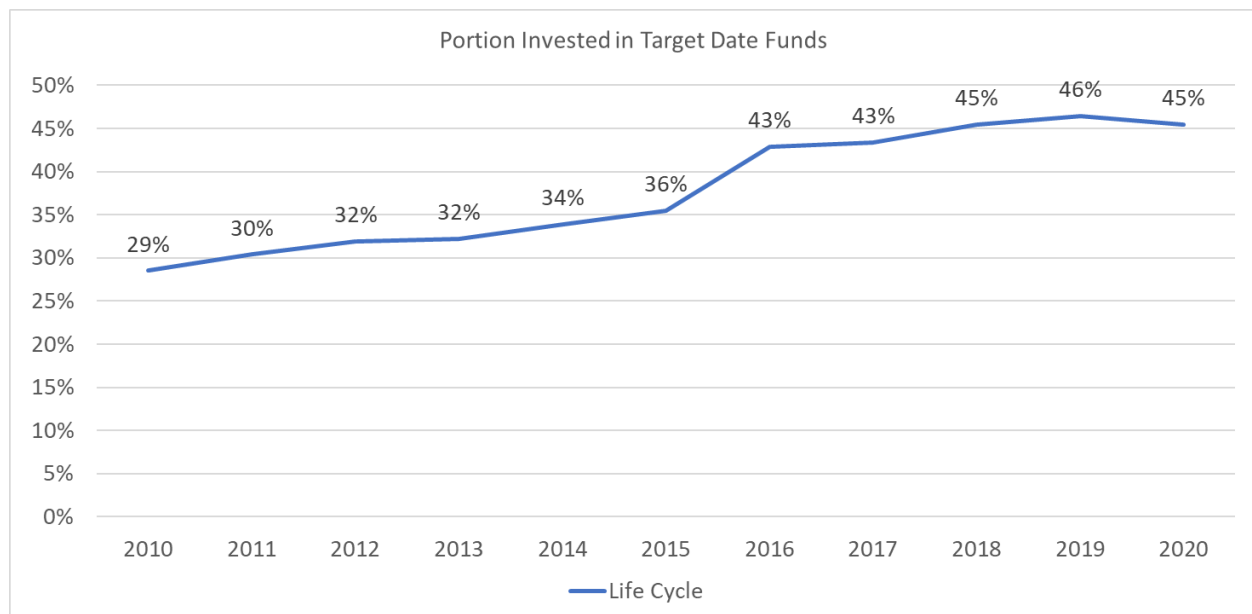
EPC Retirement Plan Review

Overview

As of December 2020, there were 2,245 participants in our Defined Contribution Retirement Plan—an increase of 103 over the prior year.

The equity markets enjoyed a positive year in 2020. Our plan participants were able to reap some of those benefits in their retirement investments. Collectively, our members held almost \$185 million in their retirement accounts at the end of 2020, or an average balance of about \$82,600 per participant.

In 2020, 45% of the value of members' accounts were invested in Retirement Target Date (Life Cycle) funds. These funds automatically and gradually reduce members' exposure to investment risks as they approach retirement. The increasing use of these funds is a positive trend. We are pleased to report that these funds will enjoy reduced administrative fees in this coming year.



In addition to the Retirement Target Date funds, Pastors and all eligible employees have the opportunity to invest in a selection of other top-rated mutual funds or may choose to invest in a complete menu of securities through the plan's brokerage window. Also, please note that we are able to "roll over" into the plan current retirement investments and other 401(K) plan investments. Please call the BRI office to understand better how to execute this entry into the EPC Retirement Plan and to learn the personal advantages by doing so.

Legislative Changes

There have been legislative changes impacting retirement plans. The BRI staff through relationships with the Church Benefit Association, our consultant, and Fidelity carefully review the legislation and enact changes to the administration of our Plan. The CARES Act of April 2020 allowed 403(b)(9) participants to withdraw up to \$100,000 penalty-free if they were affected directly by COVID-19 (withdrawn funds are still subject to income tax

liability). That Act also allowed those taking Required Minimum Distributions from the plan to pause this action during 2020. BRI was able to quickly enact changes to the plan administration procedures so that those with needs could take advantage of the special allowances. Fortunately, despite the fears caused by the pandemic, none of our participants were required to make excessive withdrawals or made radical moves with their investment choices.

Performance

Investment markets enjoyed a good year in 2020, despite its early declines from COVID-19. The MSCI EAFE World Equity Index was up 7.82% for the year, the Barclays US Aggregate Bond Index was up 7.51%, and in U.S. equities the Standard and Poor's 500 Index was up 18.40%. As a whole, the investors in the EPC 403(b)(9) plan experienced returns of 17.14% in 2020.

A positive change for our participants this past year is a negotiated reduction in recordkeeping fees deducted quarterly by Fidelity from their accounts. That fee was reduced from 10 basis points to 9.85 points, producing a savings for our participants.

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. We feel confident that the funds selected provide the best choices on all three counts. During 2020, many of our funds trailed their peer-groups for the year, however 91% of our funds outperformed their peers over 3, 5, and 10 years. All of our funds have outperformed their peer-group medians on a 3-year rolling basis. Twenty-two of our funds had lower fund expenses than their marketplace counterparts.

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 income tax free Housing Allowance, even in retirement years. This may be a significant advantage for you over other retirement plans available in the market.

Personal Advising

This year, the plan began offering a Personalized Planning and Advice (PPA) service provided by Fidelity. The new service offers precise, personalized planning, tracking, and update services to interested participants that can incorporate advice about other retirement funds the participant may hold outside of our 403(b)(9) plan. There is a modest fee deducted from a participant's account for this voluntary added service. If a participant does not need this level of planning and advice, they can choose not to subscribe to it. But this service will assure that a participant's asset investment choices are appropriate for their age and goals.

All plan participants not subscribing to PPA can receive a free look at their investment choices by calling Fidelity. We suggest that, at least annually, each participant contact Fidelity at 1-800-642-7131 and make an appointment with an investment advisor for a free review of the participant's portfolio. Fidelity will the portfolio's relative performance, and determine whether there might need to be a change in investment philosophy that could lead to changes in investment choices among the 12 Vanguard Retirement Target Date funds or the plan's additional funds spanning a range of asset classes.

Conclusion - Retirement Plan

There appears to still be about 15% of EPC churches who do not have any Pastor or staff participating in our 403(b)(9) plan. That may be because they feel they have their employee's retirement funding taken care of in some other way, or it may be because the employees and Pastor are part-time, or they simply feel they cannot afford it. We encourage the leadership of those churches to re-consider.

- In order for a Pastor to take advantage of the housing allowance in retirement, the plan must be a 403(b)(9) plan, like the EPC's plan. Note: It cannot simply be a 403(b) plan.
- 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/employee set aside retirement funds now is being shortsighted. Our Plan offers 23 carefully selected investment options, a brokerage link that adds a virtually unlimited array of additional investment choices, and free investment guidance from licensed financial advisers.

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 to ensure our joint success in 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. We are stronger together.
- Make it a personal goal for you, your family, and your staff to get your annual medical checkup (including bloodwork).
- Follow up with your physician to complete all the recommended health studies and screenings (mammogram, colonoscopy, lung screenings, etc.).
- Commit to regular exercise and 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 Assembly*) and personal payroll deducted contributions.
- Consider participating in Fidelity's Personal Planning and Advice fee service. Or at a minimum, contact Fidelity for a review of your 403(b)(9) account fund selections.

It is a privilege to serve on the BRI Board of Directors, because the health and retirement plans that 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.

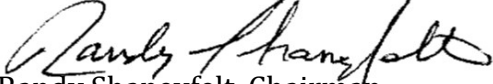
EPC Benefit Resources Inc. Board of Directors:

RE Randy Shaneyfelt (Chairman), Presbytery of the Great Plains
RE Michael D. Busch (Chairman, Benefits Subcommittee), Presbytery of the Alleghenies
TE Bill Reisenweaver (Chairman, Investment Subcommittee),
Presbytery of Florida and the Caribbean
RE William Barnes, Presbytery of the Midwest
TE Erik Ohman, Presbytery of the West
RE Robert Draughon, Presbytery of the Central South
Michael Moore, Presbytery of the Central South
Sandy Siegfried, Presbytery of the Great Plains
RE Jim Levine, Presbytery of the West

BRI Board of Directors Meeting Dates:

February 27, 2020: Office of the General Assembly, Orlando FL
March 24, 2020 (specially called): Video Conference
June 9, 2020: Video Conference
October 6, 2020: Video Conference
December 6, 2020: Video Conference
March 2, 2021: Video Conference
June 9, 2021: Video Conference

Respectfully submitted,


Randy Shaneyfelt, Chairman

June 2021