

## **PROPOSED CHANGE TO CLERGY HEALTH & PENSIONS FUNDING**

As we continue to move toward creating a new conference, several alignments need to occur. We believe that a new and more equitable way to fund the cost for Clergy Health Care and Pensions needs to be adopted. We want to be transparent and make sure you fully understand the reasons for this recommendation. As we explain below, we believe this change will help us to transition into a funding model that is sustainable and has minimal impact for TN Conference churches. Transparency is one of our core values. So, we want to help each church fully understand how this new model will impact them.

Below you will find talking points to help you have a fruitful conversation in your congregation and ministry setting.

### **PROPOSED CHANGE**

- Beginning in January of 2020, each church's apportionment would be reduced by the line item for health care and pension.
- Each church with an appointed clergy participating in the Clergy Health or Pension plan would be billed, monthly, for the actual cost of the Health and Pension plan for the specific clergy appointed at that church.
- For calendar year 2020, the TN Conference will use reserves to fund 50% of the Clergy Health billing and 75% of the Pension billing for every church in the conference. We believe this is a good use of TN Conference reserves to "give back to TN churches" with a graduated move to direct bill during a time where it is possible some churches could experience a drop in giving units and pledges.
- Most churches will see a reduction in their total conference billing, including the apportioned amount, Clergy Health cost and clergy pension cost. This change only affects the Clergy Health or Pension portion of our Conference budget. The remainder of the conference budget would be apportioned in the same manner as in the past.
- Though CFA expects each church with a participating clergy to be asked to pay the full amount of the clergy health plan in 2021, we plan to be sensitive and helpful to churches that may struggle with the cost of Health and Pension benefits for their appointed clergy.

### **RATIONALE**

- Just like each church pays the salaries of their appointed clergy, this proposed plan bills the cost of clergy benefits to the church where the clergy person serves. It is a matter of fairness.

- We also believe that it is important to no longer place the Health and Pension benefits of our clergy under the uncertainty of Apportionment collections.
- The TN conference has about 350 churches that are currently being billed a line item in their apportionment for Clergy Health Care and Pensions even though they do not have a clergy participating in the plans.
- About 80 churches are billed more on the health and pension line item in their apportionment than the actual cost associated with the clergy appointed to their church.
- We have about 125 churches that aren't billed enough on the health and pension line item of their apportionment to cover the cost for their appointed clergy.
- This proposed change will allow our Bishop and cabinet to clearly understand which churches can fully fund the cost for receiving a full-time clergy person. Bishop McAlilly and the cabinet support this new plan as it will help local churches assess their financial ability to cover the benefits expenses for a full-time pastor.
- The proposed change helps the Conference navigate through the increasing cost of healthcare plans while still offering good health care benefits.
- The TN Conference is one of the few remaining conferences that still apportions clergy health care and pension costs. The Memphis Conference has successfully moved from apportionment funding to direct billing in a graduated manner over the past few years.
- We believe shifting to this new model over a period of two or more years will allow our churches time to adapt to direct billing of these costs.

## **NEXT STEPS**

- We have a printed document available for each district with a line item for every church that shows the numbers related to this new model as if we had moved to direct billing in 2019. It is impossible to project the exact figures for 2020 or 2021 because appointments change, salaries change and the cost of Healthcare changes. However, the actual numbers "as if this occurred in 2019" would be fairly accurate for subsequent years.
- CFA members are available to answer your questions and explain the data on the reports in person so that you can return to your local church and share this information with your finance chairs and business administrators.
- At Annual Conference this new funding model for Clergy Health and Pensions will be part of the 2020 Budget recommendation from CFA. We hope you will study this new model, ask questions and support the plan at AC.