
CPG Continues Work in Response to 75th General Convention Resolutions on Lay Employees, Church-wide Healthcare Coverage; Initiates Comprehensive Review of Clergy Pension Plan

The comprehensive study of lay employees is yielding valuable data in support of the work of the Church's Task Force on Employment Policies and Practices and the A125 Feasibility Study Group. The Church-wide Healthcare Feasibility Study results and feedback from the Church are informing the development of a possible denominational health plan. Additionally, the full review of the clergy pension plan that is now underway will provide important insights for considering future benefit enhancements.

Dear Friends,

First and most important, I want to reassure you that, **despite the recent market turbulence, the Fund remains in very strong financial condition and your pension benefits are secure.** The Clergy Pension Plan is fully-funded, and sufficient resources have been set aside to fund ongoing benefits for all current active and retired plan members and their eligible spouses.

As you can see, our annual *Perspective* is unusually long this year, as we felt it was important to update you on our progress in regard to the various initiatives we have undertaken in support of the Church. I hope you will find the information both useful and interesting.

- Much of our work during 2007 was centered on the General Convention directives that CPG undertake both a **comprehensive study of lay employees and a church-wide healthcare coverage feasibility study, and bring recommendations to the 2009 General Convention.** Those important initiatives are ongoing. The results of the research to date, as well as the development of a possible denominational health-care plan, are described on pages 4-9.
- At the end of 2007, we hired Towers Perrin, a highly-respected benefits consulting firm, to assist us in conducting a **comprehensive review of the Clergy Pension Plan.** That study, described on page 3, will supply important data about our beneficiaries to the Church Pension Fund Board, informing their discussions about possible benefit enhancements.
- As always, this *Perspective* includes a **summary of investment results.** The CPF Board and CPG senior staff are grateful that the Fund's investments again continued to outperform the market. See page 2.

- The CPF Board is very pleased to have been able to approve a **cost-of-living increase for 2008** as described on page 10, the 29th consecutive year such an increase has been granted.
- Although the cost of the post-65 retiree Medicare supplement plans has risen for 2008, the Church Pension Fund has **increased its subsidy of the post-65 retiree Medicare supplement** to cover the full cost of the Comprehensive Plan. See page 10.
- You'll find a brief statement about **pension benefits in light of current issues within The Episcopal Church** on page 11 in response to a number of inquiries we have received. Since everyone's situation is different, we invite you to contact us with any questions about your specific situation.

It is a privilege for us to serve the clergy and laity who serve the Church, and to support the mission and ministry of The Episcopal Church.

As always, I welcome any reflections and feedback you may care to offer.

Faithfully,

T. Dennis Sullivan, President and CEO

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Pension Fund Assets Available for Benefits Top \$8.9 Billion at Year-End

We are pleased to report that Assets Available for Benefits topped \$8.9 billion as of December 31, 2007, as CPF investments continued to outperform the market.

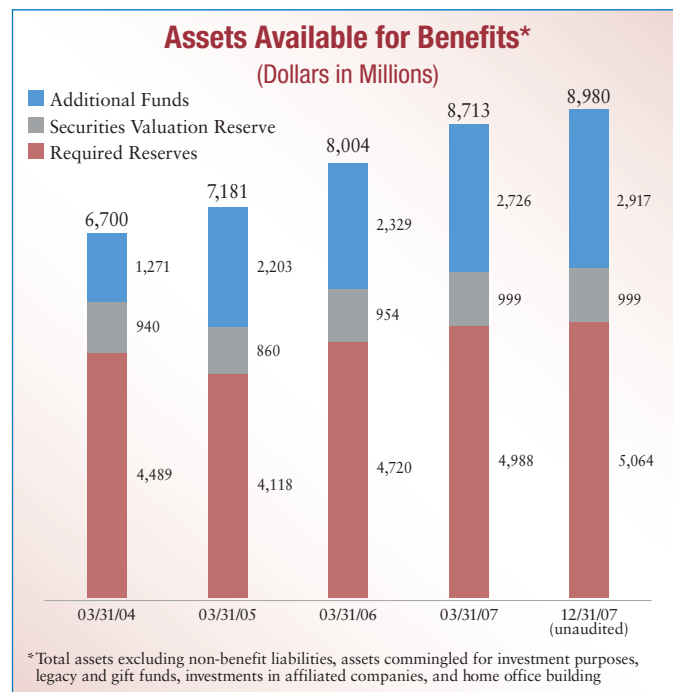
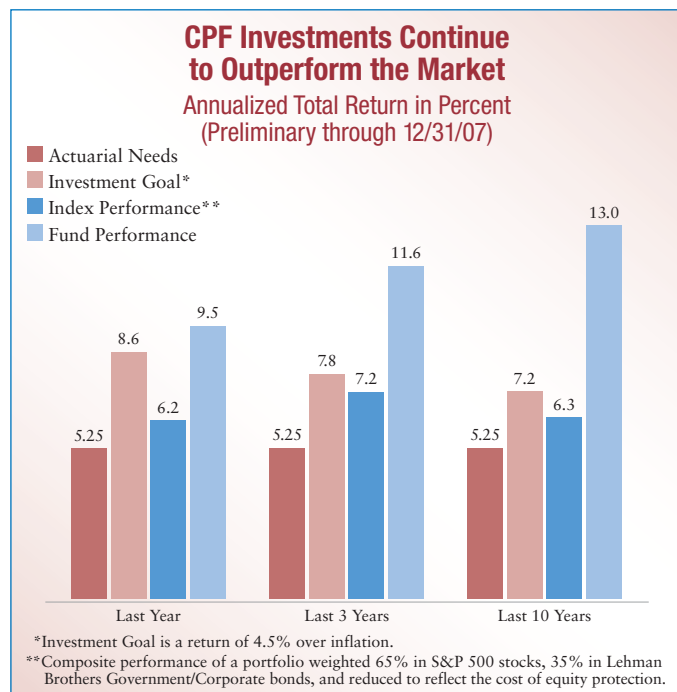
Beginning in the early 1990s, the Fund's investment strategy of broad diversification has included a sophisticated and now well-established investment program in alternative assets such as private equity and real estate, and in non-U.S. securities, including those in developing markets. This is in addition to traditional investments such as U.S. stocks and bonds. This strategy, overseen by our vigilant Investment Committee of the Board of Trustees and implemented by a dedicated group of investment professionals on our staff, has provided extraordinary investment returns, as illustrated in the left-hand exhibit below.

For the financial markets, 2007 was a story of two halves. The first half evidenced strong stock market gains worldwide driven by strong economic growth, abundant liquidity, and a strong appetite for risk on the part of investors. The second half, in contrast, witnessed market turbulence and heightened volatility caused by a tightening of credit following problems in the leveraged loan market and subprime mortgages and the prospect of an economic slowdown. In addition, there was an unusual disparity of returns among asset classes. On one hand, stock markets in emerging markets, led by China and India, returned almost 40% in 2007. On the other hand, low quality mortgages, often part of structured finance vehicles, lost almost 80% of their value. Fortunately, the Fund had some of the former and none of the latter. The broad diversification of the portfolio, particularly into private equity and real estate, was very beneficial as these asset classes, as well as emerging markets, outperformed traditional equity markets.

The left-hand exhibit below shows the performance of the Fund over three time periods through the end of 2007. It compares the portfolio return with three key benchmarks: actuarial needs, investment goal, and an index portfolio of 65% S&P 500 stocks and 35% bonds. As you can see, Fund performance has been excellent and compares very favorably in each time period. In fact, the CPF portfolio has outperformed the S&P 500 on a one-, three-, and ten-year basis despite having more than a third of the portfolio invested in bonds.

These extraordinary investment returns have increased total Assets Available for Benefits to over \$8.9 billion, as shown in the right-hand exhibit below, and subsequently provided an unprecedented \$2.9 billion in Additional Funds. The Pension Fund is in very strong financial condition, with assets well in excess of liabilities.

Since the end of 2007, financial markets have remained volatile, with some equity markets down more than 10%. However, we maintain a Securities Valuation Reserve as a provision against the possibility of a significant loss of value in the investment portfolio, and we are confident that the Fund's broad diversification positions the Fund well for continued growth in the long term. While periods of market turbulence can be unsettling, they can actually provide attractive opportunities and the Fund, as a long term investor, is in a strong position to take advantage of them.



Comprehensive Review of Clergy Pension Plan Now Underway

One of the Church Pension Fund's goals for this triennium is to determine the best sources and uses of available resources in carrying out the Fund's mission, including implementing a trustee-approved external review of the Clergy Pension Plan. In keeping with this goal, we have engaged the highly-respected consulting firm, Towers Perrin, to assist us in determining if the benefits provided by the Clergy Pension Plan are adequate for full-career clergy to live comfortably in retirement.

Working closely with the Retirement Programs Committee of the CPF Board of Trustees, Towers Perrin is helping us:

- Develop guiding principles for the design of the Clergy Pension Plan
- Benchmark the benefits provided by the Clergy Pension Plan against pension benefits provided to employees of other appropriately comparable organizations
- Survey a sample of active and retired clergy and their surviving beneficiaries to get their sense of the adequacy of the benefits provided by the plan
- Determine whether there are gaps in the existing array of benefits and, if so, recommend benefit enhancements to help mitigate those gaps

Towers Perrin will review their findings and recommendations with the Retirement Programs Committee and subsequently with the entire CPF Board of Trustees during the second quarter of this year. This should provide ample time for the Board to evaluate and implement any recommended benefit enhancements prior to the end of the 2007-09 triennium.

We welcome any specific comments or suggestions that you would like to have considered as part of the comprehensive review of the Clergy Pension Plan. Please send them to Michael Macdonald, The Church Pension Fund, 445 Fifth Avenue, New York, New York 10016.

We value your input!

Customer Satisfaction Survey

In order to better serve clergy and lay employees, both active and retired, CPG decided to establish a benchmark measure from which to quantify our level of customer service and evaluate our progress in improving that level of service, as well as to introduce a greater level of accountability toward those whom we serve.

In the fall of 2006, we initiated a search for a company to carry out the research necessary for accomplishing these goals, ultimately selecting the New Jersey-based Center For Client Retention (TCFCR) to conduct a Customer Satisfaction Study. TCFCR clients include Concordia Publishing House, Eli Lilly & Company, and the College Board. TCFCR distinguished itself by the thoroughness of its research methods and the high quality of its interviewers, many of whom have advanced-level degrees. These unusually well-qualified interviewers are able to go beyond standard survey responses and engage clients in conversations about their experiences with a company.

TCFCR conducted over 700 phone interviews with active and retired clergy and lay employees during the fall of 2007. In general, the results were extremely positive when compared to the benchmarks TCFCR has established based on many years of customer satisfaction research. Nevertheless, although we are pleased with the overall levels of customer satisfaction, we know that improvements can be made. Satisfaction among our retirees was very high, with over 90% of retired clergy and beneficiaries indicating that they are "very satisfied" with CPG service. However, the level of satisfaction was generally 20% lower for the other groups (active clergy and lay employees). When respondents were asked to compare their CPG

customer service experience to their experience with other companies, over 90% considered CPG to be comparable or better in its level of service. Within this overall positive picture, however, some nuances emerged. Significantly, more respondents see CPG as "comparable" to other companies than "better." We also noticed that while many respondents rated CPG highly on being generally friendly and helpful, for those who had problems that needed to be resolved, ratings were lower.

We will be studying the results of the survey, and the many comments transcribed by the interviewers, very carefully. We will then formulate plans to improve those areas of weakness while continuing to build on areas of strength. Specifically, we would like to raise the levels of satisfaction of active clergy and lay employees to match the high levels of satisfaction of our retired clergy. We would like a majority of our customers to feel that we are better than other companies they deal with, rather than simply comparable. We will also aim to improve our ability to solve our customers' problems in the most efficient manner possible. Having established these benchmarks, we expect to survey our customers at regular intervals to ensure that we are making progress in our efforts to serve you better.

Lay Employee Study Continues: Highlights of Findings

As authorized by the 75th General Convention through Resolution A125, the first comprehensive research study of Episcopal Church lay employees is being undertaken by the Church Pension Group. Our findings to date, highlights of which appear below, support the work of the Church's Task Force to Study Employment Policies and Practices and the A125 Feasibility Study Group.

An unprecedented study of lay employees, a historically overlooked group, was begun last year. A lay employee census was sent to every Episcopal congregation in the U.S.; Episcopal dioceses and institutions were also surveyed. This confidential census dealt with lay employee demographics such as age, gender, marital status, and preferred language; where and how lay employees serve; number of hours worked; and compensation ranges and benefits. To provide a complete picture of the lay employee population, congregations and institutions were asked to reply to the census even if they did not have any lay employees. The census garnered a 60% response rate from congregations and a 95% response rate from dioceses. Combining the 16,500 names generated by the census with information from other data sources produced a database of approximately 20,000 lay employees.

The Gallup Organization, a well-known and respected research firm, was selected to conduct a survey of those lay employees. The survey looked at such data as family status, household income, overall financial situation, working conditions, and much more. All lay employees received the online survey, which was available in both English and Spanish; a random sample of 4,000 lay employees received a paper survey option, as well. Gallup received over 5,000 survey responses, with a response rate of over 40% from the random sample group.

This comprehensive research study, as well as our study of lay employees in overseas Episcopal dioceses, has already produced important data to support the work of the Church's Task Force to Study Employment Policies and Practices in the Episcopal Church and its General Convention mandate to "address the issues of employment, striving to make the Episcopal Church a fair and just workplace," as well as in support of the A125 Feasibility Study Group in its leadership role in regard to the feasibility study on lay employee pension benefits described in Resolution A125.

Highlights of the Preliminary Findings

Census data allowed us to measure the progress made by the Church since the 70th General Convention passed Resolution D165a in 1991. That resolution stated that all lay employees who work a minimum of 1,000 hours annually shall be provided retirement benefits.

Today, 70% of lay employees working 20+ hours a week in congregations and who have worked there for more than two years are provided with some type of retirement plan; similarly, 93% of lay employees

working for dioceses are provided with a retirement plan. Limited census and survey data was received from institutions such as stand-alone Episcopal schools.

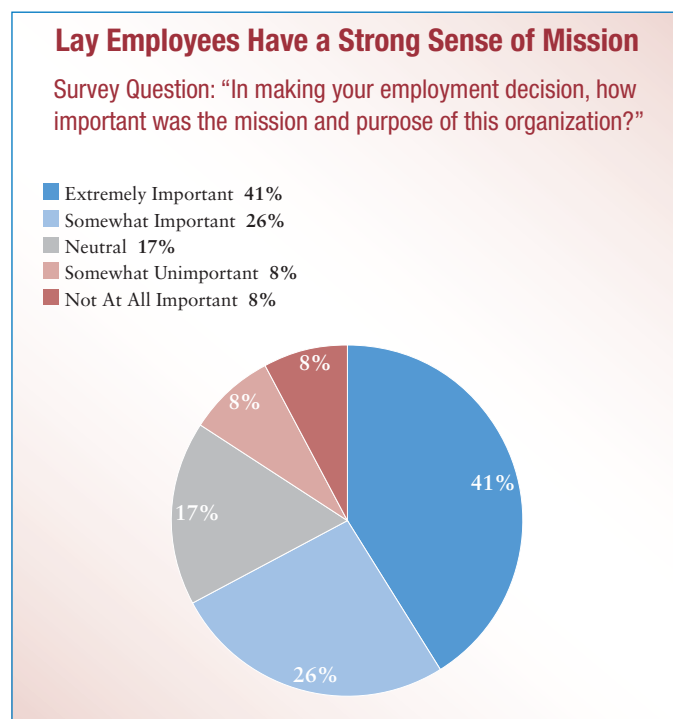
Compliance with the 1991 resolution varies significantly by number of hours worked and size of congregation.

Today, 86% of lay employees who have worked longer than two years and work 40+ hours per week are enrolled in a retirement plan. However, only 40% of the lay employees who have worked longer than two years and work 20 to 29 hours per week are enrolled in a retirement plan.

A Strong Sense of Mission

Survey findings indicate lay employees have a strong sense of mission. 58% of lay employees are Episcopalians, and 43% of lay employees said they were members of the congregations in which they were employed. 52% of lay employees took a pay cut to work in the Church and only 26% received a pay increase.

On many measures of effective job satisfaction, lay employees scored highly. Most lay employees indicated they are happy with those they work with, and highly value the time flexibility their jobs afford them to fulfill other commitments.



Gender, Compensation, and Anxiety

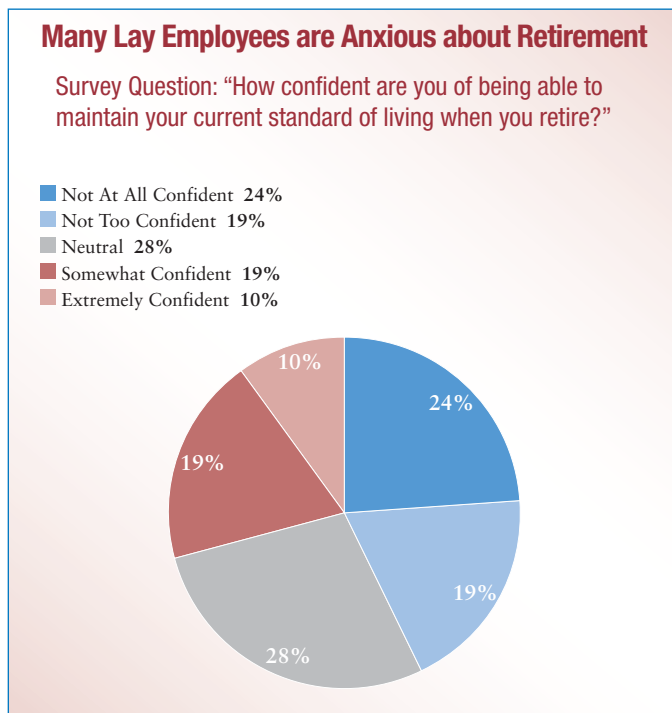
The gender balance revealed by the Gallup survey results is significant, as is the corresponding lack of pension coverage. Approximately 72% of all lay employees are women, with an average age of 49. The average age of all lay employee respondents was 53. 65% of all female lay employees do not have pension coverage, and about half of the female lay employees working 20 or more hours per week do not have pension coverage.

Half of all respondents do not have a pension plan from another employer. Of the married/partnered respondents, approximately 83% indicated that their spouse's retirement plan will be an important source of income for their retirement. However, approximately 42% of the married/partnered female lay employees are still not confident they will be able to maintain their current standard of living when they retire.

The census revealed that the average compensation for lay employees working 20+ hours per week is \$36,500. (Additional information on compensation by area of employment and hours worked is available in the 2006 Church Compensation Report, downloadable from www.cpg.org/research.)

Therefore, it should come as no surprise that 90% of lay employees working 20+ hours a week are not extremely confident of their ability to maintain their current standard of living after retirement.

Retirement anxiety levels dramatically increase for female respondents who are single or divorced, with 63% indicating they are not confident they can maintain their current standard of living in retirement.



7% of the female respondents are widowed. Many women are faced with a lack of survivor benefits, or the reality that distributions from defined contribution plans may not last throughout their lifetime.

Data indicates that women are still paid less than men, which results in lower Social Security and pension benefits. Also, according to the U.S. Census Bureau, women spend, on average, 11.5 years out of the work-place taking care of children or elderly parents; this has a negative impact on their lifetime earnings and retirement benefits.

Preliminary findings indicate The Episcopal Church has a lay employee population that is dedicated to the mission and ministry of the Church, but has significant anxiety about their retirement, especially if they are not financially supported by another person.

Cost to the Church

We have listened to the concerns of congregations about the cost to the Church of providing these pension benefits to lay employees. However, preliminary analysis of many factors shows that covering those not currently covered is within the financial reach of almost all congregations.

Next Steps

During the next few months, we will continue to analyze the data and look at comparable employees in other sectors to see if our lay employees differ significantly from their peers. We are researching pension benefits provided by other denominations and non-profit employers. In addition, we are reviewing retirement plan documents from dioceses and congregations that do not provide lay employee retirement plans through the Church Pension Group. This part of our authorized study will help ensure that any lay employee retirement plan(s) that may ultimately be recommended as part of the feasibility study on lay employee retirement benefits described in Resolution A125 will take into account not only CPG's plan but the other plans currently in effect around the Church.

We welcome your feedback and questions; please contact Linda Puckett at (800) 223-6602 x6260 or lpuckett@cpg.org.

Church-Wide Healthcare Coverage Feasibility Study: Research Results Inform Development of Possible Denominational Plan

In the face of rapidly rising healthcare costs, as well as justice issues around healthcare benefits for active church employees, the 75th General Convention passed a resolution authorizing CPG to undertake a healthcare coverage feasibility study, and to report its findings and recommendation to General Convention in July 2009. Below are details about what we've accomplished so far, and the work that is currently in progress.

Among other things, we have evaluated other denominations' experiences of healthcare coverage provision, and are analyzing current healthcare industry economics, performing an in-depth evaluation of the Church's current approach to providing healthcare benefits, and analyzing past, current, and projected future costs.

That research data, in conjunction with direct feedback from church employers and employees, is being used to formulate a recommendation and analyze its probable impact on Church employers prior to the report-back to the 76th General Convention.

The charts and data in this section of *Perspective* are just part of the important information we have learned from this research.

Why is the Healthcare Coverage Feasibility Study Only Studying Active Employees?

An extensive study of healthcare benefits for retired employees was conducted by the Church Pension Group between 1998 and 2002, culminating in the modernization of post-65 healthcare coverage.

More information about this redesigned program can be found on the CPG website at www.cpg.org/retireehealth

Opportunities for Cost Savings and Increased Coverage

The cost of providing health benefits for active employees is high and rising rapidly, outpacing general inflation and wage increases and placing an increasingly difficult financial burden on many dioceses, congregations, and individuals. In fact, healthcare benefits costs are the fastest-growing expense item for many congregations, and revenues are not keeping pace with rising costs. Research indicates, for example, that revenue for the typical family-sized congregation, which makes up more than 50% of all Episcopal congregations, is already insufficient to meet operating expenses, and the shortfall will be nearly twice as large by 2015. It is estimated that, by 2015, healthcare benefit costs for the Church overall will rise from 7.5% of operating revenue to 10.7%, and The Episcopal Church will spend a total of over \$100 million more on healthcare benefits than we spend today.

More Participants Mean Lower Costs Overall

The economics of the U.S. healthcare environment are such that larger groups, with their greater purchasing power, are able to secure lower unit costs. Therefore, purchasing health benefits collectively rather than per-congregation or per-diocese could help slow cost growth. An example of the benefit of purchasing health coverage collectively is the cumulative savings to the Church of more than \$10 million over five years through the participation of The Episcopal Church Medical Trust ("Medical Trust") in a multi-denominational coalition for purchasing Medco pharmacy benefits. Participation in this Denominational Benefits Coalition, formed under the auspices of the Church Benefits Association, increased the leverage of The Episcopal Church from 15,000 participating households to the combined purchasing power of over 150,000 households, enabling the renegotiation of existing contracts at more favorable rates.

Justice Issues Around Healthcare Benefits for Lay Employees

In addition to cost savings, there are justice and equity issues around healthcare benefits for lay employees, many of whom do not participate in diocesan-endorsed health benefit programs because they must pay part or all of the cost of their participation themselves, and those costs are often prohibitive.

51% of Lay Employees Working 30+ Hours a Week Pay 80% to 100% of the Cost of Their Healthcare Benefits

Employee Cost-Sharing Percentage	Percentage of 30+ Lay Employees
100%	21%
80% - 99%	30%
50% - 79%	25%
20% - 49%	11%
0% - 19%	13%

In addition, although some lay employees have healthcare benefits through a spouse or partner, our research indicates that **there are several thousand full-time lay employees who are entirely uninsured.**

A number of other denominations have national church-endorsed health plans that may suggest more cost-effective and equitable solutions for us.

How Other Denominations Approach Healthcare

In the Episcopal Church today, each diocese functions independently in the purchasing, administration, and delivery of health benefits. This results in a duplication of effort, the inability to take advantage of economies of scale, and unequal costs and benefits across the Church. To determine whether a mandated denominational healthcare benefits program could be a viable option for our Church, and to help inform our thinking about plan design, financial, and organizational components, it was important to understand what other denominations are doing.

Therefore, we conducted a benchmark study of denominations that included the Presbyterian Church USA, the Evangelical Lutheran Church in America (ELCA), the Lutheran Church-Missouri Synod (LC-MS), the United Methodist Church, and the Southern Baptist Convention.

Among other things, we learned that The Presbyterian Church USA provides a denominational health plan that is mandated, albeit only for pastors and associate pastors. Other clergy such as hospital chaplains may also participate. ELCA mandates healthcare benefits for certain employers through participation in ELCA's Pension and Other Benefits Program (which includes the health plan). Participation is voluntary for employees of ELCA congregations and institutions. Although LC-MS does not mandate healthcare benefits for clergy and lay employees, enrollment in their denominational health plan is high as a result of bundling the health plan with the pension plan. A single board manages both the health and pension plans. In almost all denominations studied, the health plan is administered by the pension board.

We also learned that the most prevalent plan design is a Preferred Provider Organization (PPO), and that the majority of plans have higher deductibles than those of the plans currently offered throughout the Episcopal Church.

Understanding Episcopal Employers' Current Healthcare Plans, and Listening to Employees about Healthcare

All dioceses and congregations were asked to provide financial and healthcare benefit data to help us better understand what the Church is currently doing to provide healthcare coverage for clergy and lay employees, including the range of benefits offered and the associated costs to the church or institution providing the coverage. 92% of dioceses and 46% of congregations responded to this study. In addition, all active clergy and lay employees were asked to complete a healthcare benefits questionnaire so that we could learn more about their current sources of healthcare coverage and their out-of-pocket costs for healthcare services. More than 8,000 employees (36%) responded

to this study. These are very high response rates for studies of this kind.

Moving Toward a Denominational Health Plan

As the project team continues to analyze the potential for a denominational healthcare plan and what such a plan might look like, there are three overarching questions to consider:

Who should be covered? Clergy only, or both clergy and lay employees? The employee only or family coverage? How many hours a week must an employee work, to be eligible?

What will it cost? For the current employee population? For family coverage? For additional populations to which coverage may be extended?

What types of health plans should be offered? PPO plans? HMOs? How wide a range of choices should be offered? How many vendors should be used?

Who Should Be Covered under a Denominational Health Plan?

While this issue is still under discussion, current thinking is that clergy and lay employees working 30+ hours in dioceses, congregations, and official agencies of the Church should be included under any potential mandated healthcare benefits program. Lengthy discussions have taken place regarding the inclusion of church school employees, as well. However, the issue around church schools is so complex, we believe that additional study is required, to be conducted during the 2009-2012 triennium.

Current data indicates that more than 13,000 clergy and lay employees are covered through congregation- and diocesan-sponsored healthcare benefits programs. Of these, nearly 8,000 are in plans administered and sponsored by the Medical Trust. The Medical Trust currently provides benefit options to 72 dioceses and more than 20 separate Episcopal agencies, institutions, and seminaries.

Today, Episcopal Church employees can choose whether to receive coverage from church-sponsored plans or another source. 83% of clergy and 67% of lay employees working 40+ hours per week are covered under a Church-sponsored plan. However, we know that several thousand full-time employees have opted out of receiving health benefits coverage from their Episcopal Church employers and instead receive their coverage from such sources as a spouse's or partner's plan.

Preliminary results indicate that all clergy have healthcare benefits from at least one source; however, it appears that there are several thousand full-time lay employees who are entirely uninsured. This raises concerns and requires additional work in coming months to fully understand the scope of the Church's uninsured population.

Overseas Dioceses

We have also been collecting information on how healthcare is provided in our overseas dioceses. To date, we have compiled information on healthcare programs in Columbia, the Dominican Republic, Ecuador, Haiti, Honduras, Puerto Rico, Taiwan, Venezuela and the Virgin Islands. Initial findings indicate that the provision of healthcare benefits in overseas dioceses is as complex and challenging as with parish schools, and will require further study during the next triennium.

Your Thoughts about Who Should Be Covered

In late 2007, we conducted focus groups with clergy and lay employees around the country, from Oregon to Florida. We wanted to hear what you thought about the study and a possible denominational health plan, as well as eligibility, cost-sharing, plan design, and employer-funding of such a plan, and the legislative method for making healthcare mandatory.

Overall, there was a great deal of commonality in your opinions. Most people felt that:

- Healthcare benefits should be mandatory for clergy and lay employees across The Episcopal Church.
- The ultimate goal should be universal coverage for all employees, understanding that, because of cost, this may not be possible. However, all employees should have the opportunity to purchase healthcare benefits through a denominational plan.
- At a minimum, healthcare benefits should be provided to and paid for employees working 30+ hours a week.

Feedback like this continues to be important as the project team develops a long-term solution for recommendation to the Church.

What Will It Cost?

As we begin to project the costs of a denominational health plan, it is imperative to understand business, financial, and employment trends across the Church. We have spent several months gathering data about financial, healthcare, compensation, and general employment trends in the Episcopal Church. The team continues to review and analyze this data, plus data from parochial reports and from the clergy pension plan. That data will be used to determine initial costs of a denominational health plan and to evaluate the impact of demographic trends on the cost of future employee healthcare benefits.

Projected Demographic Trends in the Church

As we continue to study possible cost structures of a denominational health plan now and for the future, we are working with a set of projected demographic assumptions. These include:

- Currently, there are 6,600 active clergy for whom assessments are being paid into the clergy pension plan. Based on our data, we believe that nearly 6,000 of these are working full-time (30+ hours/week).
- During 2007, out of approximately 7,088 congregations, only about 4,500 had one or more full-time active clergy. (Those congregations not served by a full-time cleric are served through a variety of other arrangements including yoked congregations, clusters, or team ministries.)
- Increases in healthcare benefits costs are adding to the financial burdens facing many congregations.
- The number of part-time clergy who will require healthcare coverage will continue to grow.
- In any denominational health plan, full-time employees will choose to at least maintain the level of coverage (single or family) they have today.
- The number of lay employees covered by a denominational health plan will increase.

Although our work in this regard is not yet complete, current research strongly indicates that quantifiable savings can be attained through a denominational health plan.

What Types of Plans Should Be Offered?

To achieve cost savings, ease member transition, and reduce the administrative burden for The Episcopal Church, a denominational health plan would need to consolidate the wide range of health plans currently offered by the Church into some five to eight standard plans, using four to five vendors. Therefore, we are analyzing various plans currently offered by the Church to better understand their similarities and differences.

Employees Enrolled in Church-Sponsored Plans Participate in a Variety of Plan Types

Type of Plan	Percentage of Lay Employees Household Enrolled
PPO Plan*	38%
EPO	20%
HMO	32%
POS Plan	4.6%
High Deductible Health Plan (HDHP)	4%

* 64% are covered under BlueCross BlueShield

As of December 2007, we had collected plan schedules and enrollment data from 100+ separate plan designs that used over 25 different vendors (including BlueCross BlueShield, Aetna, Kaiser, UnitedHealthcare, and Group Health), from dioceses that are, and are not, participating in Medical Trust plans.

One striking finding was that approximately 50% of all employees covered by an Episcopal Church employer are enrolled in a BlueCross BlueShield (BCBS) plan. Given this level of enrollment, and BlueCross BlueShield's unparalleled provider access in rural areas, BCBS will undoubtedly be an option in any future denominational health plan.

Findings such as these are important considerations in the development of a recommended plan design.

Is a Denominational Health Plan the Right Approach for the Episcopal Church?

As Resolution A147 stated, one of the purposes of the feasibility study is to determine whether a mandated denominational healthcare benefits program would be a viable option for the Church. This is a complex question which we continue to study. Nevertheless, our work to date indicates that it could very well be a viable solution to the serious issues of rising healthcare costs and justice and equity concerns around lay employee healthcare cost and coverage.

Advantages of a Denominational Health Plan include:

- The combined purchasing power of all dioceses, congregations, agencies, and institutions
- An estimated overall savings of 10% of current healthcare costs during the first year
- Guaranteed portability and security of coverage throughout the Church
- Ability to provide more cost-efficient options
- Reduction in administrative burden for employers
- Ability to add market-leading, consistent health and wellness programs to help employees lead healthy lives
- Greater stability and predictability of costs
- Increased adaptability to the dynamic nature of the healthcare industry
- Addressing of social justice and equity issues

We welcome your feedback at any time throughout the process. Email us at dhpstudy@cpg.org or call Tim Vanover at (800) 223-6602 x9405.

For updated information about the study, visit the dedicated CPG website page at www.cpg.org/healthcarestudy

More Feedback Opportunities for the Church

The Church's involvement and feedback is essential throughout the feasibility study. Information-sharing opportunities include:

More Focus Groups starting in March: Some 16 to 18 focus groups will be conducted around the country.

New Survey Coming this Spring: 2,000 randomly selected clergy, lay employees, and General Convention deputies, will receive this new survey which will solicit feedback on initial concepts for a potential denominational health plan and help us gauge how well we're keeping you informed.

- Feedback will be solicited at the annual meeting of the Conference of Diocesan Employees (CODE) in April.
- Annual Medical Trust Meeting with Diocesan Administrators in May.
- Dedicated CPG website page: www.cpg.org/healthcarestudy
- In-person presentations and conversations with a wide range of Church leadership groups
- Dissemination of information to the Church on a regular basis
- Regional Forums will be held in various locations around the country later in the process.

2008 Cost-of-Living Increase Approved for 29th Consecutive Year

Beginning in January 2008, as we have done for 29 consecutive years now, defined benefit plan beneficiaries saw their monthly checks increase to offset increases in the cost of living. Retired clergy and surviving spouses received a 2.3% cost-of-living increase, as did dependent children and beneficiaries of the Episcopal Church Lay Employees' Retirement Plan¹. This 2.3% is equal to Social Security's 2008 COLA increase.

In addition to the cost-of-living increase, the CPF Board approved an added benefit increase of \$10 per month for retired clergy and surviving spouses, and lay retirees, in order to give proportionately more to those with the lowest benefits.

Virtually no other non-government pension plans grant cost-of-living increases. Although not guaranteed by pension plan rules, the provision of this assistance to plan members is one of the Church Pension Fund Board's highest priorities. Our "investment goal" of 4.5% over inflation is geared toward ensuring that this priority of providing annual increases can be met.

¹Those of you whose benefits began during 2007 received a pro-rated increase proportional to the number of months you have been retired.

Increase in Clergy Retiree "Allowed Earnings"

Many clergy continue to serve the Church through temporary or part-time employment during retirement. Retired clergy can now earn up to \$31,500 from Church employment during 2008 and still receive full pension benefits.

CPG Supports the Millennium Development Goals

In acknowledgment of the fact that achieving the Millennium Development Goals is a stated mission priority of the Episcopal Church for the next three years, the Church Pension Fund, at its September 2007 meeting, passed a resolution endorsing the importance of achieving the Millennium Development Goals and affirming the following CPF policies in support of that initiative:

- CPF will continue to make social responsibility in investments an important priority consistent with its fiduciary duty particularly as those investments may support achieving the Millennium Development Goals.
- In its own management and operations, CPF will continue to promote gender equality and empower women. (As an example, CPG has put initiatives in place for increasing our business relationships with woman- and minority-owned businesses.)
- CPF will review its business operating policies and practices and take actions at reasonable costs to

Increase in CPF Subsidy for Medicare Supplement for Clergy Retirees

The Episcopal Church Medical Trust modernized the post-65 retiree Medicare supplement plans in 2003. The Comprehensive and Premium Plans were introduced, later supplemented by the Plus Plan. Thus, retirees can now choose from 3 plans to meet their healthcare needs and fit their financial resources. Although the plans have been continually improved — hearing and travel benefits were added for all plans and additional benefits were added to the Comprehensive Plan — up until this point, the cost to retirees for these plans has not risen since the program's inception five years ago.

Despite the addition of some government funding for prescription drug benefits, as well as administrative savings and group purchasing savings via Medco, it has become necessary to increase the per-month cost of the three plans for 2008, primarily because of medical and prescription drug price inflation and the high usage of prescription drugs.

However, the Church Pension Fund is pleased to be able to increase its subsidy of the post-65 retiree Medicare supplement from \$235 per member per month to \$250, thus fully covering the cost increase of the Comprehensive Plan and mitigating the cost increases of the Plus and Premium Plans. For a full description of the healthcare benefits and costs of the post-65 retiree Medicare supplement plans, please contact the post-retirement member services team at (866) 273-4545 or mtcustserv@cpf.org.

better ensure environmental sustainability. (As an example, the *Perspective* you are reading was printed on FSC-certified 100% recycled paper and the oils in the inks are 100% plant-derived.)

While not specifically mentioned in the CPF Board resolution, CPG has sponsored numerous community service programs in support of the Millennium Development Goals around reducing poverty and hunger and combating major diseases. CPG employees participate in many food and clothing drives in support of recognized local and national programs, and serve at the Bowery Mission on a weekend. They also fundraise independently via walks for such organizations as GMHC AIDS Walk New York and the American Cancer Society.

We are committed to supporting the Millennium Development Goals in ways that are consistent with our mission and charter.

Contact Us

As always, we encourage you to give us your feedback. We are here to serve you and welcome your input.

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We also invite you to contact us with any questions about your personal retirement planning or other benefit questions. Please call Pension Services at (866) 802-6333 or email us at benefits@cpg.org.

And please check out the CPG website at www.cpg.org where all of our publications as well as answers to frequently asked questions are available.

We hope this *Perspective* is helpful to you. Of course, we can provide only highlights here, and the official plan documents govern all aspects of the implementation of plan benefits.

Pension Benefits and Current Issues within the Episcopal Church

The Church Pension Fund has received a number of wide-ranging inquiries around the topic of how pension benefits could be affected in light of current issues within The Episcopal Church. We would like to offer the following broad response.

The Church Pension Fund is an official agency of The Episcopal Church. We administer pension and health benefits for active and retired clergy and lay workers of The Episcopal Church and its agencies.

CPF's mandate from General Convention and the Clergy Pension Plan do not permit CPF to accept assessments on behalf of clergy who are not in good standing or canonically resident in The Episcopal Church. The Church Pension Fund relies on bishops or other appropriate ecclesiastical authorities of The Episcopal Church to ascertain an individual cleric's ecclesiastical status in The Episcopal Church.

Similarly, CPF is permitted to accept assessments only on behalf of lay employees who are employed by a parish, diocese or institution that is part of The Episcopal Church.

Clergy who are vested in the Clergy Pension Plan and lay employees who are vested in the lay pension plans will receive benefits upon retirement in accordance with the rules of the Plans even if they choose to work outside The Episcopal Church.

It is important to recognize that everyone's situation is different. We encourage you to contact us to discuss your specific situation.

Clergy should contact:

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