

## **Preparing for the Future Calls for Present Accountability**

Pension and health benefits are crucial programs designed to financially protect our eligible clergy during times of immediate medical need and future income security during retirement.

These benefits are mandated by Discipline and, as part of a total compensation package, are considered as important as a pastor's day to day salary. The Northern Illinois Conference is fortunate that the majority of churches have been faithful in their constant financial commitment to providing these benefits to our eligible clergy.

In the NIC, health and pension rates or premiums have remained constant over the last three years. While pension premium is directly proportional to a pastor's salary, medical premium reflects the actual claims experience of our entire covered population. For the past several years our claims experience has been good and we have not had to increase rates.

We would like to continue this precedent but we are facing a growing challenge. The challenge of arrearages. An arrearage is an uncollected debt. When churches do not pay their obligated premiums for health and pension benefits it is necessary for the Conference to pay for those benefits in one of two ways: by depleting reserves or increasing premiums to all the churches in the Conference.

Currently, as of the end of Dec. 31, 2015 the Conference is running a deficit of 13% in total pension and health premiums.

Lonnie Chafin, our Conference Treasure, comments: "From a health premium perspective we owe the General Board of Pensions and Health Benefits approximately \$4,400,000 a year for the HealthFlex program. We collect approximately \$3,900,000 from the churches which means the Conference must use its reserves to pay the \$500,000 difference. And for 2015 we owe the General Board of Pensions and Health Benefits over \$200,000 in uncollected pension premium. In the past two years reserves have been diminished by over \$1,000,000. You can see why this is a matter of concern."

The use of Conference reserves cannot be sustained. Although rates have remained the same since 2014, if the current pattern of arrearages continues it will mean an increase of over \$2,500 per eligible participant per year for 2017.

The challenge of arrearages has received considerable attention. "These arrearages can and will place a hardship on the churches and the Conference and therefore are working with the Board of Pensions to develop a policy of compliance to help ameliorate the current concern," stated Bishop Sally Dyck. The District Superintendents are working with local churches on understanding their financial capacity. In some cases, with the help of the District Superintendent, congregations have found a way to stretch and meet this obligation. In other situations clergy appointments may need to be adjusted and some churches may be yoked to enable appropriate pastoral support.

In the coming months Woody Bedell, Director of Personnel and Benefits for the Conference will be working with the District Superintendents and local churches to determine the best ways to move forward. Fortunately, with the advent of the Affordable Care Act there are several ways healthcare can be provided to clergy outside of the current HealthFlex model. These methods can be explored as well as different financial payment strategies when there are both medical and pension arrearage.

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