

# Frequently Asked Questions

The CF&A Insurance Task Force is recommending changes in the funding of the Conference retiree health insurance program. These recommendations are necessitated by the increasing premium costs of our insurance programs and the “unfunded liability” for funding our retiree program into the future. This document addresses fundamental questions concerning the recommended funding plan. If you have additional questions, please contact Karen Fullerton or Valerie Henry in the North Georgia Conference Insurance Office.

## 1 What is the CF&A Insurance Task Force and what is its purpose?

The Task Force was authorized, by action of the 2003 Annual Conference session, to review funding alternatives for all of our health insurance programs. The first project the task force undertook was restructuring the funding of our Retiree health insurance program.

## 2 Why was the first project the Retiree program?

The Conference currently has a total liability of about \$75,000,000 on our existing retiree program. We have about \$11,500,000 on deposit that can be used to reduce this liability. Therefore, the current unfunded liability is about \$63,500,000.

In other words, the Conference would need to “write a check” today for \$63,500,000 and invest the funds, earning a projected 6.25% per year, in order to insure continued funding of our existing program. (the 6.25% is not guaranteed, as we’ve seen!) This is referred to as the Retiree Unfunded Medical Liability. Obviously, we don’t have that much money.

## 3 Did the Task Force have a framework for making decisions?

Yes! We adopted a set of “guiding principles,” which are stated below. We prayerfully and diligently worked to honor these principles when constructing our recommendations.

### Guiding Principles:

- :: Reduce Premium Inflation Rate
- :: Investigate Implementation of Wellness Programs/Incentives
- :: Vested Right to Alter Funding and Benefits, Considering Prior Plans
- :: Reduction of Retiree Unfunded Medical Liability
- :: Consider Effects of Any Changes on the Pre-1982 Pensioners
- :: Insure That Funding Plans are Sustainable
- :: Maintain Reasonable Benefits Programs

## 4 To what groups does this apply?

United Methodists who qualify for Normal Retirement (The Book of Discipline p356.2.c) *Normal Retirement is someone who retires at 65 or has 40 years of service.* This includes a) the Normal Retirees, b) The Normal Retiree’s covered dependents, c) the Normal Retirees covered surviving dependents whom the Conference has sponsored health insurance through either The Medicare Supplement or The Active Health Insurance.

Additionally this plan applies to covered surviving dependents of clergy who have passed away while on active service.

United Methodists who qualify for Early Retirement (The Book of Discipline p356.2.b)

*Early Retirement is someone who retires at 62 or has 35 years of service.* The Early Retirement rules remain the same as stated in the 2003 Journal. This includes a) the Early Retirees, b) the Early Retirees covered dependents, c) the Early Retirees covered surviving dependents.

United Methodists who retire under The Voluntary 20 Year Rule (The Book of Discipline p356.2.a)

*The Voluntary 20 Year Rule is defined as those who have retired after completing 20 years or more of service prior to the age of 62.* The Conference makes no contribution for you, even though you can choose to participate in either our Active Plan until age 65 and then in our Medical Supplemental Plan. But, again, you will be required to fully fund the premium cost on a monthly basis.

## 5 How does the New Retiree Funding Plan apply to Normal and Early retirees

The Task Force is recommending the following payment structure for 2005. The percentages noted will apply whether coverage is under The Medicare Supplement Plan or Active Plan.

- a. Pre-1982 Retirees/Covered Dependents/Surviving Covered Dependents - No participant contribution required.
- b. Retirees/Covered Dependents/Surviving Covered Dependents Retired between 1/1/83 and 12/31/2004-

diagram a

Graduated Payment Plan	Conference Pays /	Claimant Pays
from 1/1/05 to 12/31/08	90%	10%
from 1/1/09 to 12/31/12	85%	15%
from 1/1/13 to Forward	80%	20%

- c. Retirees/Covered Dependents/ Surviving Covered Dependents Retired 1/1/05 and After:

diagram b

Years of Service	Conference Pays /	Claimant Pays
35+	80%	20%
30-34	70%	30%
25-29	60%	40%
20-24	40%	60%
15-19	30%	70%
10-14	20%	80%
0-9	0%	100%

## 6 Will the contributions be fixed or variable?

The monthly contribution by participants will vary according to their age, when they retire, and with how many years of service. The percentages will be fixed, but the actual amounts paid will vary as the premiums change year-to-year. In 2005, the monthly premium will be \$350 per month per person for The Medicare Supplement.

*For Example:*

If a 68 year old clergy person with 2 covered dependents (all of whom are Medicare-eligible) who retires under Normal Retirement in 2004 with 31 years service, then the total monthly payment for that family is \$105 [\$350 monthly premium X 3 covered people X 10%(see diagram a).]

*For Example:*

If a 68 years old clergy person (Medicare Supplement) retires in 2004 with 40 years of service, with a 60 year old covered spouse (Active Plan), then the total monthly cost for that family is \$86.

Clergy- \$350 monthly premium X 10% (see diagram a) = \$35

Spouse-\$506 monthly premium X10% (see diagram a) = \$51

Total= \$86

## 7 What if I take Early Retirement from the Conference, and go to work somewhere else. Can I be covered by their plan until I turn 65 and then come back to the Conference’s Medicare Supplement Plan?

As long as you file a written waiver to temporarily end your Conference Plan, and pick up with another employer sponsored group plan, you may maintain your ability to return to the Conference Plan when you experience a qualifying event (for a description of qualifying events, contact the NG Conference Benefits Office). For example, reaching age 65 is not in itself a “qualifying event.” Terminating employment, thereby losing your other employer sponsored group plan, is a “qualifying event.” So you may not return just because you turn 65, but you may return at any time within the 30-day re-enrollment window of the loss of the other coverage. *A certificate of creditable coverage for the period you waived the Conference Plan will be required.*

## 8 What if I choose to join my spouse’s plan?

If you qualify for coverage under our plan at retirement and also your spouse’s plan, you may waive your Conference Plan in favor of another employer sponsored group plan. You may then come back to this plan if you experience a qualifying event, for example a loss of coverage. Re-enrollment must occur within a 30-day window beginning the day of the change. A certificate of creditable coverage for the period you are out of our plan will be required. Reaching age 65 is not a qualifying event.

## 9 What if my spouse has always had his/her own coverage? Can they join the retiree plan at some point in the future if they lose the existing coverage?

No. That person may only participate in the retiree plan if they have been covered by the Conference’s Active Insurance Plan for at least five years immediately prior to the clergy person’s retirement.

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**10 What if I get married after retirement? Can my new spouse join the Conference plan?**

No. New dependents cannot be added to this plan after retirement.

**11 Can I decline this plan? Why would I decline it?**

Yes, you can decline this plan. You may be eligible for a spouse's retiree plan or some other coverage which you like better than what the conference offers; however, once you decline the plan, you cannot return to it.

**12 Are retirement medical benefits guaranteed?**

No. One Annual Conference session cannot commit future sessions to any financial obligation. One of the CF&A Task Force's "Guiding Principles" is to maintain a sustainable program for our retirees and future retirees and surviving covered dependents. However, this funding plan is based on financial projections, which may vary significantly from actual future results. The Conference will review the funding of this program annually, and as we experience various financial issues in the future, there may be a need to revise this program or curtail it.

**13 What happens if we don't approve this plan during the 2004 Annual Conference Session?**

It is possible that a special session of Annual Conference would need to be called, which could result in changes to the coverage, including the reduction of benefits or elimination of the Medicare Supplement.

**14 If we approve this plan, how will it affect the Retiree Unfunded Medical Liability?**

Adoption of this plan will immediately reduce the liability by roughly \$17,000,000.

**15 Whom do I contact with questions?**

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# Q&A



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*Answers to frequently asked questions  
about proposed changes to your  
Retiree Health Insurance Program*