

Establishing Recommendations on Cost of Living Increase and Employee Health Insurance Premiums

SPONSOR: Diocesan Standing Committee (approved October 18, 2023)

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RESOLVED, That the 190th Convention of the Diocese of Vermont recommend a 3.5% minimum cost of living increase (COLA) for all compensated clergy and lay employees, adjusted in 2024 by the amount that clergy and lay employees contribute to their health insurance plan; and be it further

RESOLVED, That this Convention recommend that the employer pay the full cost of the premium for full-time clergy and lay employees enrolled in a health insurance plan in lieu of all or a portion of the COLA, as follows:

- the employer pay the full cost of the PPO 90 health insurance premium in lieu of a COLA for those who have been contributing 3.5% of their salary to their premium;
- the employer pay the full cost of the PPO 90 health insurance premium for those who have been contributing 2.25% of their salary to their health insurance premium, plus a suggested COLA of 1.25%;

and be it further

RESOLVED, That this Convention recommend that the employer pay a percentage of the cost of the premium for less than full-time clergy and lay employees enrolled in a health insurance plan, based on the number of hours worked; and be it further

RESOLVED, That this Convention recommend that if the clergy or lay employee has insurance through their spouse, or another source, the employer provide some additional compensation to the employee for that cost, such as the shared premium required by the spouse's employer and/or the actual deductibles and out-of-pocket expenses, and/or pay an amount into a tax-free retirement account (RSVP).

EXPLANATION

The Diocesan Compensation Committee recommends that employers discontinue the current practice of having clergy or lay employees pay a portion of their health insurance premium and instead have the employer (diocesan organization or congregation) pay the full amount of the premium. Clergy and lay employees would receive a 2024 COLA in the form of a contribution of some proportion of their compensation to their health insurance premium or as income. Each employer will need to assess what adjustments to salary will be made in this first year to ensure that the church is paying the same amount as they would have under the current policy. The computation is for 2024 **ONLY** and would be an adjustment to the COLA. Note that the COLA income contributed directly by the employer to insurance is non-taxable.

Cost of Living increase

- For clergy and lay employees who are NOT enrolled in a health insurance plan, or who have health insurance through their spouse or another source, the suggested COLA is 3.5%.
- For clergy and lay employees who have been contributing 2.25% of their salary to their

health insurance premium, the suggested COLA is 1.25%. To compensate for this lower COLA, the employer would pay the full cost of the PPO 90 health insurance premium.

- For clergy and lay employees who have been contributing 3.5% of their salary to their health insurance premium, it is recommended that the employer pay the full cost of the PPO 90 health insurance premium in lieu of providing a COLA.

Health Insurance Premiums:

The premium is paid by the employer according to the number of hours worked. If an employee is full-time, the employer pays the full cost of the PPO 90 insurance; if the employee is half-time, the employer pays half the cost of the PPO 90 insurance. When the employer pays for the full amount of the health insurance premium, the employee receives tax-free compensation as opposed to receiving a COLA increase that is then returned as a portion of their salary to cover their share of the premium. So, the employer pays the same amount, and the employee saves the taxes they would have paid on the amount they contributed to the insurance premium.

If an employee elects to participate in a PPO 100 plan, they continue to pay the difference between the PPO 100 plan and the PPO 90 plan.

2024 Health & Dental Insurance Rates and HRA

2024 Health & Dental Insurance Rates & HRA	Single	Plus Spouse	Plus Child	Family
Anthem BCBS MSP PPO 100	868.00	1,736.00	1,562.00	2,604.00
Anthem BCBS MSP PPO 90	801.00	1,602.00	1,442.00	2,403.00
Anthem BCBS PPO 100	1,085.00	2,170.00	1,953.00	3,255.00
Anthem BCBS PPO 90	1,001.00	2,002.00	1,802.00	3,003.00
HRA	1,500.00	2,000.00	2,000.00	2,000.00
2024 Dental	60.00	120.00	108.00	180.00

HRA - Health Reimbursement Arrangement

A clergy or lay employee who works 20 hours a week or more and is enrolled in a health insurance plan through the Medical Trust is eligible for this benefit. The employee can choose to participate in this benefit or not. If they choose to participate, their employer will reimburse them for out-of-pocket co-pays and co-insurance once their deductible is met. For single individuals, the maximum amount reimbursed per year is \$1,500. For a two or more-person household, the maximum amount reimbursed per year is \$2,000.

Payments In Lieu of Health Insurance Benefits

If the employee has insurance through their spouse or another source, it is recommended that the employer provide some additional compensation to the employee for that cost. This change is recommended by the Diocesan Compensation Committee as a method to deal with the inequity of certain employers when freed by an employee from the requirement of providing health insurance because their spouse receives health insurance, or they have some other source to provide health insurance.

This recommendation is optional but encouraged with the understanding that it may take a couple of years of increased compensation to reach a fair level of reimbursement. The amount of compensation might be any portion of the monthly premium the spouse pays, their co-pays, out-of-pocket expenses, etc. New Letters of Agreement going forward will ask that the church pay the equivalent of at least 20% of the Medical Trust insurance premium. This treats clergy and lay employees fairly and will ensure that when the current cleric or lay employee leaves, the employer does not suddenly discover that their compensation costs have increased radically because a new employee requires a full insurance benefit.

For clergy, these payments can be, but probably should not be, part of the clergy cash stipend. Instead, they can be paid into the Church Pension Group Defined Contribution Retirement Savings Plan or a similar plan. If it is paid directly to the priest, it is taxable and is assessed for pension purposes, which impacts the amount a church is able to pay in lieu of health insurance.

Examples for Congregations and Clergy

1. The priest makes a salary + housing (not SECA) that totals \$50,000 and **is married and/or has a family.**
 - In the past, the COLA increase would be 3.5% or \$1,750. The priest would then pay 3.5%, or \$1,750, towards health insurance.
 - Under the proposed rule, the COLA would be \$0 and the contribution to health insurance would be \$0. The \$500 experience factor would still be added.
2. The priest makes a salary + housing (not SECA) that totals \$50,000 and **is single.**
 - In the past, the COLA increase would be 3.5% or \$1,750. The priest would then pay 2.25%, or \$1,125 towards health insurance for a net gain of \$500.
 - Under the proposed rule, the COLA would be 1.25% or \$625, and the contribution to health insurance would be \$0. The \$500 experience factor would still be added.
3. The priest's spouse provides the family health insurance or the priest has health insurance from another source. The priest receives a 3.5% COLA increase (\$1,750) + \$500 experience factor. The vestry wishes to provide additional compensation because the spouse's insurance saves the congregation \$24,024. The congregation can:
 - choose to provide 20% of \$24,024 (4,804.80)...perhaps phased in over four years.
 - choose to pay whatever the spouse has to pay towards their insurance.
 - choose some other number negotiated with the priest.
 - OR the priest may choose not to receive additional compensation.