
ELCA

Philosophy

of

Benefits



Evangelical Lutheran Church in America
God's work. Our hands.

Approved by ELCA Church Council (April 2019)

Reviewed by Conference of Bishops (February 2019)

Approved by Portico Benefit Services Board of Trustees (February 2019)

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April 2019

INTRODUCTION

Since the inception of the Evangelical Lutheran Church in America (ELCA), the health and well-being of rostered ministers and lay employees have been underlying priorities of this whole church and a principal focus of the work of Portico Benefit Services, a ministry of the ELCA, (Portico) (formerly known as the Board of Pensions of the ELCA). These priorities carry with them a foundation in the theology of this church, a legacy from predecessor church bodies, and a history involving the evolution of benefit programs. In an effort to identify foundational principles undergirding its benefit programs and to recognize changes in this church and in society, the Board of Pensions in 2004 approved an ELCA Philosophy of Benefits Report. Since then even more dramatic changes have occurred, and Portico has revisited and revised the ELCA Philosophy of Benefits to reflect these new realities.

The ELCA Philosophy of Benefits consists of four interrelated parts:

- Introduction
- Statement of Purpose
- Guiding Principles
- History and Context

The ELCA Philosophy of Benefits is intended to inform and assist all expressions of this church and related institutions and agencies (including social ministry organizations, seminaries, colleges, universities, and separately incorporated ministries) as they evaluate and implement benefit programs – both those provided by Portico and others – from the perspective of the sponsoring employer and the plan member. The Guiding Principles are intended as just that – they are *not* mandated requirements, but principles that recognize the importance of benefits to the health and wellness of this whole church and its leaders.

STATEMENT OF PURPOSE

“The Church is a people created by God in Christ, empowered by the Holy Spirit, called and sent to bear witness to God’s creative, redeeming, and sanctifying activity in the world.”¹ To participate in God’s mission, the ELCA engages in ministry that includes calling forth, equipping, and supporting rostered ministers and others for service in this church and related institutions. As part of its ministry, the ELCA is committed to seek a sufficient, sustainable livelihood for all and believes that employers have a responsibility to treat employees with dignity and respect. These basic principles should be reflected in employees’ remuneration, including benefits.² This church also believes that “health is central to our well-being, vital to relationships, and helps us live out our vocations in family, work, and community.”³ Thus, this church is committed to the principle that “healthy leaders enhance lives” and the recognition that

¹ ELCA constitutional provision 4.01.

² ELCA Social Statement, “Sufficient, Sustainable Livelihood for All” p.9.

³ ELCA Social Statement, “Caring for Health: Our Shared Endeavor”, p.1.

benefits are an investment in the ministry of this church.⁴ Therefore, ELCA congregations, synods, the churchwide organization, and related institutions and agencies are called upon to provide rostered ministers and lay employees with health, retirement, disability, survivor, and other benefits that will enhance health and well-being and protect employees and their families against significant financial loss.

In implementing this ELCA Philosophy of Benefits, the design and administration of benefit programs should respond to changing societal and economic realities affecting the ministry of this church, as well as national trends in financial markets, the cost and delivery of medical care and other benefits, and the regulatory landscape. Benefits also should be administered efficiently in order to both enhance the well-being of rostered ministers and lay employees and capture value and savings where possible. At the same time, rostered ministers and lay employees are stewards of benefits provided to them and are called upon to use them wisely to improve their health and well-being for the sake of ministry.

Portico, a separately incorporated ministry of the ELCA, has the responsibility “to provide church retirement and other benefit plans.”⁵ These plans and all benefits provided to rostered ministers and lay employees should reflect the ELCA Philosophy of Benefits.

GUIDING PRINCIPLES

WHY OFFER BENEFITS?

- 1. Benefits are an investment in God’s ministry as carried out through the lives of rostered ministers and lay employees.**
 - Healthy rostered ministers and lay employees contribute constructively to healthy congregational life, communities, and ministry in this church. Healthy leaders with adequate benefits are an asset to this whole church.
 - This church is in partnership with those who carry out its work and is committed to compensate all people we call or employ at an amount sufficient for them to live in dignity during their working lifetime. This commitment to dignity continues through retirement.

- 2. As church together, pooling our collective purchasing power helps us support the church’s unique needs in a cost effective manner.**
 - When we collectively participate in the same benefit plans, our economies of scale can achieve lower vendor costs and a higher level of benefits than when benefits are purchased separately.
 - It is important that rostered ministers are able to respond to the call of God in their lives wherever they are located. As a result, to the extent reasonably possible, benefits should be designed and administered to address this church’s unique needs, including facilitating the call process.

⁴ In this context, “health” includes not only physical well-being, but also social/interpersonal well-being, emotional well-being, vocational well-being, intellectual well-being, spiritual well-being, and financial well-being. The ELCA Philosophy of Benefits recognizes that appropriately designed and administered benefit programs facilitate health and wellness of the whole person.

⁵ ELCA constitutional provision 17.20.

WHO PARTICIPATES IN BENEFITS?

3. Benefits are a shared responsibility of the ELCA — through sponsoring employers, plan members, and Portico.

- The ELCA established Portico to provide a comprehensive set of benefit offerings.
- Portico benefits are required for the ELCA churchwide organization, ELCA synods, ELCA seminaries, and Portico. Congregations, social ministry organizations, colleges, universities, and other employers affiliated with the ELCA are strongly encouraged to make Portico benefits available.
- Benefits will include coverage for rostered ministers, lay employees, and the immediate family members of rostered ministers and lay employees. As stewards of the benefits provided, rostered ministers and lay employees are called upon to use benefits wisely to improve their health and well-being.

WHAT BENEFITS ARE OFFERED?

4. Benefits reflect a goal of total well-being

- Health, retirement, disability, survivor, and other benefits should be bundled — that is, provided as an integrated package. A bundled approach helps ensure rostered ministers and lay employees are protected against significant financial loss from a variety of risks.
- Other benefits may be provided by employers, consistent with letters of call, terms of employment, and these guiding principles. These other benefits (such as vacation, parental leave, sabbaticals, and continuing education) are important to support total well-being and will be consistent with applicable laws and/or synod guidelines.
- Benefits equip rostered ministers and lay employees to thrive through all stages of their life by helping them adapt to and recover from life events, illness, and other challenges.

5. Plan design and features will provide flexibility and options which recognize the needs of both employers and plan members.

- The overall goal is to provide adequate coverage within a cost structure that is manageable.
- Employers and plan members should share the cost of benefits. Employers are expected to support the well-being of their rostered ministers and lay employees by paying all or a significant portion of the contributions for benefits. Plan members are expected to participate in the costs of utilization of the benefits (e.g., deductibles, copays, and coinsurance) and to contribute on a pretax basis to their retirement account in order to provide for retirement income.
- Part-time employment is a reality in many contexts and poses challenges in the provision of benefits. If full benefits cannot be provided, benefit options will be negotiated and adjusted fairly to recognize the needs of both the employer and the rostered minister or lay employee.
- In some circumstances, health benefits may be waived. Such waivers will occur based upon informed choice and consistent with the other guiding principles and legal options.

6. Pricing of benefit plans will reflect both the community nature of the plans as well as the risk variation among plan members.

- Pricing will directly reflect the benefit costs incurred by the pools of covered individuals.
- Amounts collected from the community must be sufficient to pay plan benefits and expenses and maintain an appropriate level of plan reserves.
- Costs generally vary by risk characteristics of plan members, such as family size, age, and geographic location. It may be necessary to reflect these variations in the plan pricing schedules.

HOW ARE BENEFITS ADMINISTERED?

7. Benefits will be communicated to employers and plan members in an understandable and timely manner.

- Understanding coverages and options is important for both employers and plan members to make informed choices.
- Benefit changes will be clearly communicated so that plan members have an opportunity to acknowledge, ask questions, and adapt to the changes.
- Employers and plan members should avail themselves of opportunities to obtain information about benefits in order to understand and utilize them in a manner that practices good stewardship and enhances health and well-being.

8. Benefit plans will be administered efficiently in order to achieve savings where possible.

- Professional skills should be employed to design and implement efficient benefit plans consistent with legal requirements and competitive in the marketplace.
- Benefits will be contracted with qualified external partners and providers who deliver services efficiently and in a manner consistent with the values of the ELCA.

HISTORY AND CONTEXT

The historic record of Lutherans in the United States reflects a commitment to the compassionate care of rostered ministers and lay employees through the provision of benefit programs. These programs evolved over time. In the earliest days, benefits focused primarily on the financial needs of elderly clergy who were no longer able to serve, as well as widows and orphans of deceased clergy. Subsequently, benefits evolved into a package of health, retirement, disability, survivor, as well as other benefits that are in place today in the ELCA. In order to provide context for the updated ELCA Philosophy of Benefits, it is useful to review the evolution of benefit programs and the current context in this church and society as a whole.

A. The Legacy

The ELCA Philosophy of Benefits is rooted in the legacy of ELCA predecessor church bodies. This legacy evolved in a number of stages.⁶

The first stage involved developing funded programs of retirement benefits for clergy and their spouses to replace aid to needy pastors. To achieve this goal, predecessor church bodies adopted defined contribution plans. These plans reflected the principle that seeking to meet a pastor's need for income in retirement was not an act of charity, but rather a benefit that had been earned through the pastor's active ministry. During this stage of development, disability coverage and a term-insurance "family protection benefit" also were incorporated into many plans. Plans covering lay church workers also were developed.

The second stage in the evolution of the ELCA Philosophy of Benefits involved health plans. Medical benefits were provided in both The American Lutheran Church plan, beginning in 1961, and the Lutheran Church in America, starting in 1963. The goal in both plans was to provide adequate medical coverage for clergy and lay workers in every setting of service to prevent catastrophic losses.

The third stage in shaping of the ELCA Philosophy of Benefits involved protection of assets for the well-being of plan members. This stage emerged as the result of work accomplished by the Commission for a New Lutheran Church. As a result of its efforts, the new Board of Pensions was incorporated separately from the ELCA in order to provide asset protection of members' plans.

The fourth stage in the evolution of the ELCA Philosophy of Benefits was shaped by the development of a more unified set of plans. This was manifested in several ways. Prior to the merger that formed the ELCA, levels of benefits and contribution methods in the predecessor churches differed for clergy and laity. The ELCA began with a goal of providing the same level of benefits for clergy and lay plan members. In addition, the various plans offered by the Board of Pensions were bundled in order to protect plan members as well as the ELCA Pension and Other Benefits Program itself.

The fifth stage in the evolution of the ELCA Philosophy of Benefits involved a conceptual shift in the Board of Pensions from being a transaction-based organization to being a relationship-based organization. Increasing emphasis was placed on service responsiveness to the concerns and needs of members. This transition saw the creation of a greater range of investment funds as options for members and the end of mandatory annuitization. This stage also saw an increasing emphasis on health and wellness. Through the leadership of Portico and collaborative efforts in this church, the focus on individual relationships and the health and wellness of plan members has continued to increase.

⁶ The history of benefit programs in the ELCA and its predecessor church bodies is described in detail in Lowell G. Almen, *More to the Story: The Legacy and Promise of Lutheran Pension and Benefit Plans* (2010).

B. The 2004 ELCA Philosophy of Benefits Report

With this background, the Board of Pensions beginning in 2003 initiated a review of the history and governing documents of this church in order to articulate a foundational philosophy of benefits. In addition to a review of documents, input was obtained from a wide variety of leaders in this church, including the churchwide organization, synod bishops, seminary presidents and finance directors, and others. The result of this effort was a paper entitled “ELCA Philosophy of Benefits Report, 2004”.

The 2004 ELCA Philosophy of Benefits Report articulated five guiding principles which the Board of Pensions’ staff had been using in the administration of the ELCA’s comprehensive benefit program. The guiding principles were described as follows:

1. Plan participation – All church workers should be sponsored in the ELCA benefits program. The ELCA churchwide organization, ELCA synods, ELCA seminaries and the Board of Pensions set an example for the whole church by sponsoring all employees, lay as well as clergy, in the program. ELCA synods also set a standard for benefits by encouraging congregations to sponsor their rostered leaders. For other ELCA employers, sponsorship is at the discretion of the individual employer.
2. Level of benefits – The benefits program should provide adequate financial protection in the event of illness, injury, disability, retirement or death. The program’s cost-sharing features should recognize the relatively low salaries paid to many church workers. Benefits should compare favorably to those available to professionals in other denominations and in secular employment.
3. Bundled program – The Board of Pensions should bundle four plans – health, retirement, disability and survivor – and offer them as a package.
4. Contribution policy – The monthly cost of the program should be affordable and paid entirely by congregations and other sponsoring employers.
5. Sharing of health costs – The cost of the health benefits program should be shared on a basis that takes into account differences in congregations’ and other employers’ ability to pay, with employers of greater means paying more in order to help employers of lesser means within their synods.

These guiding principles provided a framework for the work of the Board of Pensions in 2004. However, in their application, benefit programs have not remained fixed. Thus, in applying these principles, ELCA congregations, synods, the churchwide organization, other employers, and plan members have had to grapple with a number of realities involving both the contexts of individual ministries and the ever-evolving marketplace. For example, contribution rates for the retirement plan were adjusted, with different rates authorized for different employers and categories of employees. In the health plan, a multiple-tier structure was developed (for member, member and spouse, and member, spouse, and children), coverages were added and modified, and out-of-pocket limits were adjusted for various types of benefits. As the result of efficient management, contributions for health care have increased over time, but not at the rate of the

escalation of health costs in American society as a whole. Contribution rates and benefits in the survivor and disability plans also have evolved over time.

C. The Need for Review in 2013

While considerations in society and in the ELCA have raised questions regarding the need to revisit the 2004 ELCA Philosophy of Benefits Report, the enactment of the Patient Protection and Affordable Care Act in March 2010 represented a sea change in the environment for providing health care benefits. Key provisions of this legislation took effect on January 1, 2014, and necessitated revision of the document. Under health care reform, taxpayers were required to have health coverage; health insurance exchanges were to become operational at the state or regional level; and federal subsidies would be available to help qualifying individuals and families purchase coverage in a health insurance exchange. These changes caused ELCA employers, and employers in related agencies and institutions, to think differently about how health benefits were provided to employees. Furthermore, individual circumstances varied depending on the size of the employer, employee household income, the local marketplace in the exchanges, and other factors.

Even without health care reform, employer provided health coverage had evolved significantly since 1987 — and markedly so in the past decade. Employees of corporations routinely chose health plan(s) that meets their family needs from among several options. The marketplace saw a shift in economic responsibility to employees — either through higher deductibles or higher cost (premium) sharing requirements.

Additionally, economic turmoil in the United States beginning in 2008 and the uneven recovery afterwards, as well as the changing demographics of the ELCA, put increasing economic pressure on congregations, synods, the churchwide organization, and other institutions and agencies related to this church. Portico frequently received inquiries about adding more flexibility to plan design and reducing costs. In response to a request from ELCA seminary presidents, Portico developed a pilot program in 2012 involving options for health care benefits in anticipation of the implementation of health care reform. This experience informed the development of the revised ELCA Philosophy of Benefits.

Neither the vocation of rostered ministers and lay employees nor the mission of congregations and other ministries that they serve changed. Nor did the mission of Portico. Realities, however, called for revisiting and updating the ELCA Philosophy of Benefits. In doing so, this church and Portico were committed to providing benefits that both address the needs of ELCA congregations, synods, the churchwide organization, related institutions and agencies, and rostered ministers, lay employees, and their families and recognized the realities of the contexts of their ministries.

D. Further Review and Changes in 2019

The implementation of the Affordable Care Act and subsequent political dynamics resulted in volatile health insurance exchanges that did not provide a level of consistency and support that was initially expected. By contrast, the stable benefits package that Portico provides resonates with this church's promise to care for those who serve. However, the need for flexibility became apparent as congregations adapted to accommodate part-time rostered ministers, expanded roles for lay employees, and decreased resources. We took a thorough review of our one-size-fits-all approach and determined changes were needed to reflect more opportunities for employers and plan members to choose an option that best meets their needs. The ELCA Philosophy of Benefits provides the framework for protection and flexibility.