

THE BOARD OF PENSION AND HEALTH BENEFITS

PENSION SECTION Report Number One

- A. The Board of Pension and Health Benefits requests that the South Carolina Annual Conference fix **\$663** per service year as the rate for annuity payments to retired ministers. This shall include service annuity credits approved prior to January 1, 1982. An eligible surviving spouse shall receive 75% of the formula benefit upon the death of the participant.
- B. The Board of Pensions requests that direct billings to salary paying units be made that will give the Board of Pension and Health Benefits (The Pension Fund), **\$5,914,820.00** for the pension program of the South Carolina Annual Conference for the fiscal year ending December 31, 2010, and that this sum be apportioned or billed to the charges of the South Carolina Annual Conference.

C. **Resolutions Relating to Rental/Housing Allowances for
Active, Retired or Disabled Clergypersons
of the South Carolina Annual Conference**

The South Carolina Annual Conference (the "Conference") adopts the following resolutions relating to rental/housing allowances for active, retired, or disabled clergypersons of the Conference:

WHEREAS, the religious denomination known as The United Methodist Church (the "Church"), of which this Conference is a part, has in the past functioned and continues to function through ministers of the gospel (within the meaning of Internal Revenue Code section 107) who were or are duly ordained, commissioned, or licensed ministers of the Church ("Clergypersons");

WHEREAS, the practice of the Church and of this Conference was and is to provide active Clergypersons with a parsonage or a rental/housing allowance as part of their gross compensation;

WHEREAS, pensions or other amounts paid to active, retired, and disabled Clergypersons are considered to be deferred compensation and are paid to active, retired, and disabled Clergypersons in consideration of previous active service; and

WHEREAS, the Internal Revenue Service has recognized the Conference (or its predecessors) as the appropriate organization to designate a rental/housing allowance for Clergypersons who are or were members of this Conference and are eligible to receive such deferred compensation;

NOW, THEREFORE, BE IT RESOLVED: THAT an amount equal to 100% of the pension or disability payments received from plans authorized under The Book of Discipline of The United Methodist Church (the "Discipline"), which includes all such payments from the General Board of Pension and Health Benefits ("GBOPHB"), during the year 2009 and 2010 by each active, retired, or disabled Clergyperson who is or was a member of the Conference, or its predecessors, be and hereby is designated as a rental/housing allowance for each such Clergyperson; and

THAT the pension or disability payments to which this rental/housing allowance applies will be any pension or disability payments from plans, annuities, or funds authorized under the Discipline, including such payments from the GBOPHB and from a commercial annuity company that provides an annuity arising from benefits accrued under a GBOPHB plan, annuity, or fund authorized under the Discipline, that result from any service a Clergyperson rendered to this Conference or that an active, a retired, or a disabled Clergyperson of this Conference rendered to any local church, annual conference of the Church, general agency of the Church, other institution of the Church, former denomination that is now a part of the Church, or any other employer that employed the Clergyperson to perform services related to the ministry of the Church, or its predecessors, and that elected to make contributions to, or accrue a benefit under, such a plan, annuity, or fund for such active, retired, or disabled Clergyperson's pension or disability as part of his or her gross compensation.

NOTE: The rental/housing allowance that may be excluded from a Clergyperson's gross income in any year for federal income tax purposes is limited under Internal Revenue Code section 107(2) and regulations there under to the least of: (1) the amount of the rental/housing allowance designated by the Clergyperson's employer or other appropriate body of the Church (such as this Conference in the foregoing resolutions) for such year; (2) the amount actually expended by the Clergyperson to rent or provide a home in such year; or (3) the fair rental value of the home, including furnishings and appurtenances (such as a garage), plus the cost of utilities in such year.

- D. For 2010, each institution, organization or district to which a minister is appointed and enrolled shall pay to the South Carolina Annual Conference Board of Pension and Health Benefits an amount equal to **\$535** per month for Full Time Equivalent for the Defined Benefit portion of the Clergy Retirement Security Plan (CRSP) for

clergy (including deacons) who are under Episcopal appointment (receiving compensation) at a local church, charge, conference or conference-responsible unit or entity related to the South Carolina Annual Conference. An amount equal to 3.0% of the appointed participant's Plan Compensation shall be paid for the defined contribution portion of the CRSP. An amount equal to 3.0% of the appointed participant's Plan Compensation, limited by 200% of the Denominational Average Compensation shall be paid for Comprehensive Protection Plan funding. Such payments shall be made for each minister so appointed, and paid monthly in equal payments each month during the year 2010, or in advance for monthly crediting in twelve equal installments from deposits made in the Deposit Account of the South Carolina Annual Conference with the General Board of Pension and Health Benefits, by the treasurer of the South Carolina Annual Conference. In the event that monthly credits to the minister in appointment's Church Account exceed the funds deposited for the minister in special appointment, an interest charge made at 12% per annum shall be made. This interest payment is due the following month with interest charges on a daily factor until the institutional account of the minister under appointment is current.

- (1) For the purposes of this section, the Bishop and the Cabinet have established the following for guidelines as to the full or part time status of an appointment to determine FTE status by working quarters:
 - a. Full time appointments are assumed to be full time in service. Defined Plan Compensation cannot be less than the 2010 CPP and HealthFlex threshold of \$36,259. There is no classification for a three quarter (3/4) time local pastor; it is either full time or part time.
 - b. Three Quarter time (3/4) for members means Plan Compensation is no less than 60% of the DAC (the CPP and HealthFlex threshold of \$36,259). Service time is no less than 35 hours per week. Paid vacation time is limited to three weeks annually.
 - c. One half time (1/2) for members means Plan Compensation is no less than 40% (\$24,173) of the DAC, service time of no less than 28 hours per week. Paid vacation time is limited to two weeks annually.
 - d. One quarter (1/4) time for members means Plan Compensation is no less than 20% of the DAC (\$12,086). Service time of no less than 15 hours per week. Paid vacation time is limited to one week annually.
 - e. Part-time local pastor (1/2) means Plan Compensation is no less than 30% of the Annual Conference Average Compensation (\$20,188). Half time local pastor means service can be no less than 20 hours per week with two weeks paid vacation.
 - f. Part-time local pastor (1/4) means Plan Compensation is less than \$20,188 (30% of the Annual Conference Average Compensation). Service time can be less than 20 hours per week with one week paid vacation.

**Report Two
2010 Pension and Welfare Operating Budget**

Requirement	2009 Budgeted	2010 Estimated
Past Service Payment		
Clergy Retirement Service Plan (CRSP)		
Defined Benefit Amount	3,716,778.00	3,893,346.00
CRSP Defined Contribution (3%)	1,257,668.00	1,261,704.00
CRSP CPP (3%)	1,137,487.00	1,146,528.00
Clergy Transition*	99,072.00	145,560.00
Grants/Contingency*	30,000.00	
Total Estimated Requirement	\$6,241,005.00	\$6,447,138.00
Estimated Income		
**UM Publishing House	0	0
Investment Income-Permanent Funds	396,752.00	0
Institutional Payments	376,653.00	386,758.00
Apportionment*	129,072.00	145,560.00
Direct Bill Payments	5,415,181.00	5,914,820.00
Total Estimated Income	\$6,241,005.00	\$6,447,138.00
*Amount to be apportioned		
Clergy Transition*	99,072.00	115,560.00
Grants/Contingency*	30,000.00	30,000.00
TOTAL APPORTIONED PENSIONS	\$129,072.00	\$145,560.00

- E. The fiscal year of the Board of Pensions shall be the same as that of the South Carolina Annual Conference.
- F. The Board of Pension and Health Benefits authorizes one time moving expense grants, not to exceed \$1,500, and including up to \$350 in verified packing expenses, for newly incapacitated ministers receiving CPP Incapacity Benefits, surviving spouses of ministers or newly retired ministers in benefit, moving from the parsonage provided by the charge. Persons moving must file for the one time grant within 90 days of first reception of pension or disability benefits and may use the funds for moving expenses and/or for connection/tap on or hook up fees in the new residence.

* To be apportioned

**The Bishops have asked that Jurisdictional Conference Publishing House Distributions be directed to Central Conferences to fund pension programs.

**Report Three
South Carolina Annual Conference Funding Plan
For Supplement One to the Ministerial Pension Plan
As of January 1, 2007, for 2009**

The 2009 Past Service Rate (PSR) is \$650, or .99% of the Conference Average Compensation (CAC). We expect future Past Service Rates to increase by an average of about 2% per year.

As of January 1, 2007 for 2009, assuming 2% annual Past Service Rate increases, the General Board of Pension and Health Benefits actuarial valuation of the plan for the Conference shows more assets than benefit obligations. The funding plan is summarized below:

Current Plan Funding	\$99,604,800
Supplement One Liability	<u>(70,322,752)</u>
A PSR Increase of 6.0%	
Funding Surplus as of December 31, 2008	\$29,272,048
Assuming 7.0% interest and the RP 2000 Mortality Table	

*Edward L. McWilliams, Chairperson
Sherry Eisom, Secretary*

THE BOARD OF PENSION AND HEALTH BENEFITS

**GROUP INSURANCE SECTION
Report Number One**

The insurance program of the South Carolina Conference is designed to provide its eligible employees (as defined herein), **and their eligible dependents**, with a comprehensive plan for major medical benefits and a Medicare supplement. The following are eligible for coverage under the program:

1. Those fully employed and funded by a local church either as Elders in Full Connection, Deacons in Full Connection, Associate Members, Full Time Local Pastors, Probationary Elders, Probationary Deacons, Probationary Deacons/1992, Diaconal ministers related to and serving a local church within the South Carolina Annual Conference and included in the Hospitalization and Medical Expense Program Adoption Agreement.
2. Ministers who are full time employees of and funded by the Annual Conference boards, councils or agencies.
3. District Superintendents.
4. **Students appointed as full time local pastors appointed to and funded by a charge within the boundaries of the Annual Conference and actively at work.**
5. Lay persons who are full time employees of and funded by the Annual Conference.
6. Retired clergy who have been under full time appointment to a local church with pension responsibility by the South Carolina Annual Conference, and who are immediately eligible to receive pension or incapacity benefits, and who have participation in the active group health plan of the South Carolina Annual Conference, the last ten (10) years of which were continuous and consecutive, shall be eligible for participation in the retiree health care program of the Annual Conference.

7. Retired lay employees who have attained age 62 and have been full time employees of the South Carolina Annual Conference or a local church of the South Carolina Annual Conference, and who are immediately eligible to receive United Methodist pension or incapacity benefits, and who have participation in the active group health plan of the South Carolina Annual Conference, the last ten (10) years of which were continuous and consecutive, shall be eligible for participation in the retiree health care program of the Annual Conference.
8. Those retired clergy or incapacitated employees, referred to herein as lay persons, immediately eligible to receive pension or disability benefits from the General Board of Pension and Health Benefits at the beginning of the month following the month in which the retired relation or disability leave with disability benefits takes place, and who had a minimum of ten (10) continuous and consecutive years of active participation in the South Carolina Annual Conference group health plan at the time of retirement or the granting of Basic Protection Plan incapacity benefits by the General Board of Pensions, and their respective spouses.
9. Ordained ministers from other United Methodist Annual Conferences and ordained ministers from other Methodist denominations, and other denominations, under episcopal appointment fully employed and funded by a local church or charge of the South Carolina Annual Conference under the provisions of Paragraphs 346.1 and 346.2 of the 2008 *Book of Discipline*.
10. Full-time employees, and their eligible dependents, enrolled and funded by a local church of the South Carolina Annual Conference currently meeting the underwriting guidelines of the South Carolina Annual Conference group insurance plan. The salary-paying unit must establish the funding basis with the Annual Conference on the current advanced premium.
11. Funding for the group insurance plans upon retirement in benefit from the South Carolina Annual Conference shall be based on full time employment by the Annual Conference, full time appointment to a local church or eligible extension ministry with pension responsibility by the South Carolina Annual Conference, and shall be based on the following schedule:

10 continuous years of appointment and participation in the active plan	0%
11 continuous years of appointment and participation in the active plan	10%
12 continuous years of appointment and participation in the active plan	20%
13 continuous years of appointment and participation in the active plan	30%
14 continuous years of appointment and participation in the active plan	40%
15 continuous years of appointment and participation in the active plan	50%
16 continuous years of appointment and participation in the active plan	60%
17 continuous years of appointment and participation in the active plan	70%
18 continuous years of appointment and participation in the active plan	80%
19 continuous years of appointment and participation in the active plan	90%
20 continuous years of appointment and participation in the active plan	100%.

The categories of eligibility 1 – 11 listed above are categories of access to the group insurance plan of the South Carolina Annual Conference. Funding of persons, other than those appointed as pastors or with pension funding responsibility by the South Carolina Annual Conference, is the responsibility of the salary-paying unit.

Report Number Two Major Medical Insurance Benefits

The South Carolina Annual Conference will participate in Health Flex, the managed health care plan of the General Board of Pensions and Health Benefits of the United Methodist Church.

The South Carolina Annual Conference has elected HealthFlex BlueCross/BlueShield – Option B750 HealthFlex Pharmacy Plan FX2 as the Health Care Plan. The yearly health plan deductible is \$750 individual and \$1,500 for family.

The lifetime maximum coverage for each eligible insured and eligible dependent shall be limited to \$3,000,000.

The Pharmacy plan (FX2) will be changed for 2010. The summary is delineated below:

Annual Deductible (Retail Only)	\$50 Individual
	\$100 Family
Annual Out of Pocket Limit (co payments only)	\$2,000 Individual
	\$4,000 Family
Retail (30 days supply)	
Generic	\$10
Formulary Brand Name	\$20
Non-formulary brand name	\$35

Mail Order (90 day supply)	
Generic	\$20
Formulary Brand Name	\$50
Non-formulary Brand Name	\$88

The South Carolina Annual Conference will participate in the Healthflex incentive program in 2009. Details of this plan are available on the General Board of Pension and Health Benefits website under the Healthflex tab which describes the current incentive program. A participant and covered spouse could earn incentives up to \$300 under this plan.

Additional information on the major medical expense plan is available from the Board of Pension and Health Benefits, Post Office Box 3787, Columbia, SC 29230.

Report Number Three Medicare Benefits

The South Carolina Annual Conference has elected HealthFlex Medicare Plan 2 and HealthFlex Pharmacy Plan **FX2 (As delineated in Report 2 above)** as the Medicare Supplement Plan Option.

The deductible and out of pocket maximum for medical has changed for 2010. The annual deductible for 2010 will be \$500 per individual. The annual out of pocket maximum will be \$1,500 per individual. The co-insurance rate will remain 80% after Medicare has paid.

Eligible retired participants and their eligible dependents as well as active participants and their eligible dependents that have attained age 65 shall have benefits calculated by the Medicare Companion approach. This assumes eligible participants and dependents shall be enrolled in Medicare Part A and Part B immediately prior to reaching the age and status for Medicare eligibility.

A handbook explaining the provisions of Medicare is available from any district office of the Social Security Administration.

Report Number Four Administrative Procedures

Enrollment in HealthFlex, the group insurance plan of the South Carolina Annual Conference, must be made within the first thirty days of eligibility or the first day actively at work. Late enrollment or enrollment for January 1st of any year must be completed with the General Board of Pension and Health Benefits prior to November 30th of the preceding year

Eligibility requirements are also set forth in the *HealthFlex Administrative Manual* published by the Health Care Division of the General Board of Pension and Health Benefits of the United Methodist Church, 1201 Davis Street, Evanston, IL 60201.

Billing: At the first of each month, the Board of Pension and Health Benefits will send premium statements to the participants enrolled in the Conference Insurance Program and to participants with Flexible Spending Accounts. Payments for group health premiums and Flexible Spending Accounts premiums shall be made on a monthly basis. At the first of each month, the Board of Pension and Health Benefits will send direct billing for the salary paying units share of premiums relating to the participants enrolled in the Conference Insurance Program. These payments should be made on a monthly basis.

Cancellation of Coverage: It is imperative that each participant in the Conference Insurance Program keeps his/her premium payments current. The Board of Pension and Health Benefits has instructed the benefits administrator to cancel the insurance coverage or the Flexible Spending Account of any participant who does not pay his/her premium by the end of the month for which he/she has been billed.

Ministers Serving in Eligible Extension Ministries: It is required that all Conference Boards and Agencies, served by ministers and others eligible for group insurance participation, pay for the "institutional share" of the insured's premium. This provision shall apply to the District Superintendents, Conference Staff and those serving United Methodist agencies for whom the South Carolina Annual Conference has pension responsibility. In every case the full cost of the group health premium must be paid by the insured, the employer, or through the combined payments of the insured and the employer. Premium payments shall be made in accordance with the instructions printed on the quarterly "Statement of Account". Premium payments are due at the first of the month for which the participant is billed.

Applications for enrollment in the Conference Insurance Program are available from the Board of Pension and Health Benefits, P.O. Box 3787, Columbia, SC 29230. The change enrollment form must be completed and in the hands of the benefits administrator within 30 days from the date of eligibility. If not, the applicant will be ineligible until the next following enrollment period.

The Board of Pension and Health Benefits is charged with oversight of the group insurance program of the South Carolina Annual Conference, the benefits of which program are outlined in the reports of the Board

submitted to the Annual Conference. The Annual Conference approves the group insurance budget of the Board of Pension and Health Benefits. The Board is authorized to negotiate and contract with carriers or the Hospitalization and Medical Expense Program Administrator to maintain the level of benefits for the eligible participants, as defined by the Annual Conference.

The group health plan of the South Carolina Annual Conference (Conference Plan) shall be the plan of first refusal for covering dependents of clergy appointed to local churches in the Conference. Where covered clergy wish to cover their dependents, the local church will seek to cover such dependents through the Conference Plan, rather than purchasing outside health insurance. Local churches may be excused from this requirement in cases where such dependents may be covered through the employer of a covered clergyperson's spouse, or through a governmental plan, such as an SCHIP, and in cases of demonstrable financial hardship.

Report Number Five		
Group Health Insurance Operating Budget		
Requirements	2009 Budgeted	2010 Estimated
Active Group		
Participant Only	2,331,566.00	2,357,760.00
Participant + Spouse	1,489,320.00	1,839,264.00
Participant + Child	147,340.00	144,480.00
Participant + Children	164,260.00	7,008.00
Participant + Family	2,989,992.00	2,889,600.00
Total Estimated Active Group	7,122,478.00	7,238,112.00
Retired Group		
Medicare Eligible Sub Group		
Participant	1,006,980.00	1,047,096.00
Participant +1	1,545,480.00	1,678,440.00
Participant less Part D Medicare	10,016.00	11,015.00
Total Estimated Medicare Eligible	2,562,476.00	2,736,551.00
Total Retired and Active Groups	9,684,954.00	9,974,663.00
Other		
Incapacitation/Transition	206,219.00	233,240.00
Mandatory Coverage Charge	225,992.00	265,248.00
Total Estimated Other	412,211.00	498,488.00
Total Estimated Requirement	\$10,097,165.00	\$10,473,151.00
Estimated Income		
Billing to salary Paying Units	5,262,986.00	5,064,360.00
Apportioned to Churches*	1,793,733.00	1,602,799.00
From Insured	2,042,114.00	2,171,434.00
From Medicare Participants	768,743.00	1,333,752.00
From Institutional Payments	273,460.00	300,806.00
Total Estimated Income	\$10,097,165.00	10,473,151.00
Amount to be Apportioned		
Incapacitated and Transitional Funding *	206,219.00	233,240.00
Retiree Group Costs	1,793,733.00	1,602,799.00
LESS: Investment Income	(250,000.00)	0
Total	\$1,749,952.00	\$1,836,039.00

* Apportioned to churches, see Note 2 below.

**Report Number Six
2010 Group Health Costs**

The Board of Pension & Health Benefits makes the following recommendation for action by the 2008 South Carolina Annual Conference.

1. That the sum of \$5,080,364 be billed to the local church **charges** and salary paying units for the Conference Insurance Program.
2. The Board of Pension and Health Benefits requests an apportionment of \$1,981,559.00:
 - a. \$ 145,520.00 for Transitional Pension Funding
 - b. \$ 233,240.00 for incapacitated and/or suspended participants.
 - c. \$1,602,799.00 for retiree Group Medicare Supplement.
3. That participant premium payments be set as follows:
 - a. Personal group insurance premiums for eligible active clergy/survivor/conference lay employee categories shall be 30% of the single or family coverage premium.
 1. Effective **January 1, 2010**, the **participant only** premium shall be 30% of the rate; this 30% is expected to be **\$185.00** per month. **The salary paying unit share shall be 70% of the rate. This 70% is expected to be \$429.00 per month.**
 2. Effective **January 1, 2010**, the **participant plus spouse** premium shall be 30% of the rate; this 30% is expected to be **\$387.00** per month. **The salary paying unit share shall be 70% of the rate. This 70% is expected to be \$901.00 per month.**
 3. Effective **January 1, 2010**, the **participant plus child** premium shall be 30% of the rate; this 30% is expected to be **\$258.00** per month. **The salary paying unit share shall be 70% of the rate. This 70% is expected to be \$602.00 per month.**
 4. Effective **January 1, 2010**, the **participant plus children** premium shall be 30% of the rate; this 30% is expected to be **\$350.00** per month. **The salary paying unit share shall be 70% of the rate. This 70% is expected to be \$818.00 per month.**
 2. Effective **January 1, 2010**, the **participant plus family** premium shall be 30% of the rate; this 30 % is expected to be **\$516.00** per month. **The salary paying unit share shall be 70% of the rate. This 70% is expected to be \$1,204.00 per month.**
 - b. **Medicare Supplement premiums for eligible fully funded participants shall be 30% of the rate; this 30% is expected to be \$122.00 per month per individual effective January 1, 2010. The salary paying unit share shall be 70% of the rate. This 70% is expected to be \$284.00 per month per individual.**
4. In accordance with previous action of the Annual Conference and the Board of Pension and Health Benefits, retired participants and their eligible dependents shall have the Annual Conference contribution for group health premiums limited to the lesser of the employer contribution to the Medicare Companion Plan or the percentage indicated in the funding schedule found in Report One, item 11.
5. Active participants attained age 65, serving salary paying units that would otherwise qualify for a Small Employer Medicare Secondary Payer Exemption, and their eligible dependents, shall have the Annual Conference contribution for group health premium limited to the lesser of the employer contribution to the Medicare Companion Plan or the percentage indicated in the funding schedule in Report One, item 11.
6. The estimated 2010 monthly group health insurance premiums for persons with negotiated service, compensation and benefits, Deacons in Full Connection employed full time, full time Diaconal Ministers and full time Lay Employees of local churches, are expected to be: **\$614.00** monthly (**\$7,368.00** yearly) for **participant only coverage**, **\$1,288.00** monthly (**\$15,456.00** yearly) for **Participant plus spouse coverage**, **\$860.00** monthly (**\$10,320.00** yearly) for **Participant plus child coverage**, **\$1,168.00** monthly (**\$14,016.00** yearly) for **participant plus children coverage**, and **\$1,720.00** monthly (**\$20,640.00** yearly) for **Participant plus family coverage**. Enrollment must be made within 30 days of new hire status, or 60 days prior to January 1, 2010.

*Edward L. McWilliams, Chairperson
Sherry Eisom, Secretary*

**BOARD OF PENSION AND HEALTH BENEFITS
INSURANCE SECTION**

**SPECIAL REPORT
Mail Order Pharmacy**

At the request of a member of the South Carolina Annual Conference, the Board of Pension and Health Benefits (the Board) presents this report dealing with the issues concerning the pharmacy program that is currently part of the Healthflex Insurance program which is the denominational health plan that is currently sponsored by the General Board of Pension and Health Benefits of the United Methodist Church. The pharmacy options offered by the General Board do not offer a pharmacy program which does not include mandatory mail order maintenance prescription coverage. This type of program is becoming more and more the industry standard in the health benefits field, especially with pharmacy being the fastest rising portion of our health care costs.

Financial Implications:

There is a definite financial benefit to using the Medco mail order program. The current contract provides significantly higher discounts at mail versus retail. This translates into huge savings for the plan, and thus its participants, in the form of lower premiums. In addition, Medco pays rebates, which effectively increases the discount back to the plan at a much higher level for mail order prescriptions than retail prescriptions.

Finally, if we did not offer a mail order benefit, Medco's retail discount would not be as lucrative as it is today, further increasing costs to the plan. Without mail order pharmacy, the General Board states that HealthFlex would not be affordable to participants and plan sponsors.

South Carolina Annual Conference
Mail vs. Retail

Current Effective Discount for Maintenance Drugs with Mandatory Mail in Place			
Mail		Retail	
Effective Discount (\$)	% off of AWP	Effective Discount (\$)	% off of AWP
\$577,169	32.5%	\$109,026	24.9%

Remove Mandatory Mail; Shifting All Mail Maintenance Claims to Retail					
Total Spend		Plan Cost		Member Copay	
Estimated Increase	% Change	Estimated Increase	% Change	Estimated Increase	% Change
\$318,728	10.0%	\$159,993	5.7%	\$158,735	37.1%

*Analysis for South Carolina (locator code: 11113653) is annualized and based on utilization data from 1/1/08 - 10/31/08, and does not take into account changes in behavior or impact on re
*Savings are provided for directional purposes and are not a guarantee of savings.
*Financial results have not been audited.
*Excludes Mandatory Mail claims at retail that are hitting the penalty, Compounds, Powders, Adjustments, External and U&C Claims.

It should be noted that the above figures are based on shifting all mail maintenance claims to retail. It would be impossible to calculate the actual percentage of participants that would continue to utilize mail order for maintenance prescriptions. This is a calculation of the maximum cost shift.

Additionally, there is a concern that as utilization would shift from mail to retail, it would cause deeper shifts in realized discounts. For example, many would shift from brand drugs at mail (25% discount today) to brand at retail (15.8% discount based on optional mail order). Thus the plan and the annual cost would lose 9.2 percentage points (a 38.6% drop) in discount. Likewise, on the generic side, the plan and therefore the Annual Conference would lose 6 points in discount (from 63% to 57%). In addition, the plan would lose much of the rebate dollars it receives today. Rebates currently save the plan \$9.00 per member per month in cost. Finally, participants would be out even more money by shifting to retail, as the co pays are higher at retail. The current dispensing fee \$1.75 per prescription, in implementing optional mail order it would increase to \$1.85.

It should be noted that a real comparison could only be accomplished if the Board were to request proposals from several vendors for providing the entire health benefits program for the South Carolina Annual Conference. The last time that was attempted was in 2006. At that time, all submitted proposals included mandatory mail order maintenance.

Safety Issues:

Patient safety continues to be at the forefront of the healthcare debate. Often times we hear the story of a surgeon operating on the wrong leg or prescribing an inappropriate dosage of medication. Pharmacies, whether retail or mail order, have made errors in dispensing. However, Medco has several systems in place to prevent dispensing errors. While their mail order facilities fill millions of prescriptions every year, the automation in place in those facilities allows Medco to enjoy a much higher rate of accuracy than retail pharmacies. In addition, Medco

has systems in place to identify dangerous interactions or inappropriate dosing. Medco can also see prescriptions that patients obtain from multiple pharmacies, which a local pharmacist cannot do. This allows Medco access to more accurate and meaningful data when looking out for patient safety.

Substitution Issues:

Medco works on our behalf to ensure participants receive high quality therapies at reasonable prices. To achieve this goal, Medco looks for opportunities to switch prescriptions for our participants to less costly therapeutic equivalents. Over the long run, this practice helps to maintain the viability of the program without sacrificing quality. In the unique event that a participant can not tolerate a therapeutic equivalent, Medco is instructed to allow that patient to switch back to the originally requested medication. Also, keep in mind that Medco will not switch a participant's prescription without the authorization from the treating physician's office.

Customer Service Issues:

In recent conversations with Medco, they have told us of their high customer service standards, accuracy and satisfaction rates. It seems that they are very good at completing routine transactions. When things get complicated or different from the norm, customers find it quite frustrating to deal with Medco. Most complaints center around Medco's inability to resolve the participant's problem situations. Medco has acknowledged this problem and committed to working toward simplified resolution processes.

Conference staff through the General Board staff works continually with Medco in customer satisfaction. The Board and General Board staff will continue to work proactively with Medco to improve their customer service interactions with our participants.

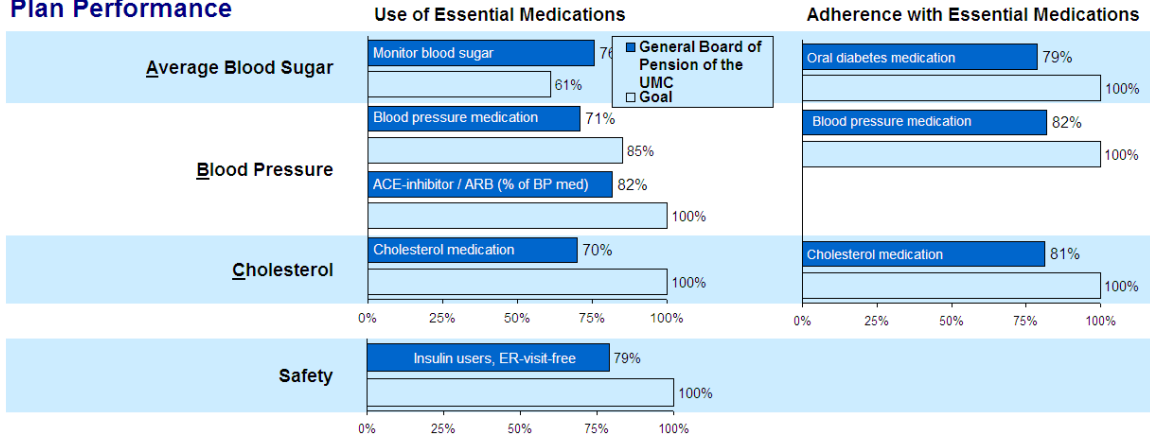
Packaging Issues:

The requestor took issue with the fact that all pill form medication comes in the same white bottle, most of which are the same size. This is true and the standardization does provide a savings. However, most retail pharmacies package their medicine in a similar bottle according to the size of the prescribed medication. It should be noted that both at the retail and at the mail order level the bottles are clearly identified with the name and dosage of the medication. It should also be noted that everything Medco sends to participants is in recyclable packaging. This includes the bottles, plastic envelopes, and even the cold pack supplies.

Performance Issues;

In addition to the cost and other issues above, the case management performance of Medco and the Pharmacy program helps to insure our participants get the maximum value out of every prescription claim dollar spent. The Medco Contract does allow for case management follow up on the adherence to drug therapy through email and telephonic contact to remind participants that their drugs are to be refilled, and educational component to help the participant be a more active, cost conscious partner with their physician in their respective treatment plan. The chart below is provided to show a comparison with our population with other groups.

Plan Performance



Key Metrics

	Performance		Performance by Channel		Medco BOB Performance at Medco TRC	Medco BOB Performance at Retail
	Goal	Overall 2,353	Mail 2,025	Retail 328		
Average Blood Sugar , lower to prevent amputation, blindness, kidney failure, nerve damage, heart attack, stroke						
Assess Average Blood Sugar (A1C)	100%	79.2%	82.8%	61.2%	68.4%	62.9%
A1C assessments per tested member (#)	2.8	2.2	2.3	1.8	2.1	2.0
Self-monitor blood sugar	61%	75.6%	76.6%	68.4%	43.1%	39.8%
Adherence - oral diabetes medication	100%	78.8%	81.3%	58.2%	77.6%	56.8%
Prevent ER visits for low blood sugar	100%	79.0%	78.2%	85.0%	80.7%	77.8%
Blood Pressure , lower to prevent heart attack, stroke and kidney failure #						
Use blood pressure (BP) medication	85%	70.9%	73.7%	49.5%	87.0%	73.7%
Use ACE-inhibitor/ARB (% BP med users)	100%	81.8%	82.6%	76.7%	83.7%	81.5%
Adherence - any BP medication	100%	81.8%	83.9%	56.5%	82.5%	65.4%
Cholesterol , lower to prevent heart attack and stroke #						
Assess LDL-Cholesterol	100%	73.5%	76.2%	60.3%	64.0%	57.8%
Use cholesterol medication	100%	69.9%	75.5%	34.6%	75.8%	58.0%
Adherence - cholesterol medication	100%	81.3%	82.6%	57.1%	80.5%	63.5%

Again, the South Carolina Annual Conference uses the denominational health plan (Healthflex), administered by the General Board of Pension and Health Benefits as its health benefits provider. The General Board does not offer any pharmacy plan that provides for an option for unlimited retail reimbursement for maintenance medication. The General Board is currently under contract with Medco for the current mail order arrangement at least through 2010. Additionally, the General Board of Pension and Health Benefits does not allow for a carve-out of the pharmacy benefits within its rate structure for such an option. If the South Carolina Annual Conference chooses to pursue an optional retail for maintenance prescriptions there would have to be a break from the denominational health benefits plan.

Conclusion:

The Board of Pension and Health Benefits realize that no Benefit plan will satisfy all the needs of all participants. The Board remains committed to providing the most benefits for the participant within the current economic and funding environment. The staff and Board will continue reviewing the entire Health Benefits plan during 2010, and present a plan that is the best value for our participants and our churches.

*Edward L. McWilliams, Chairperson
Sherry Eisom, Secretary*

**BOARD OF PENSION AND HEALTH BENEFITS
SPECIAL REPORT**

**RETIREE HEALTH LIABILITY FUNDING PLAN
to Meet the Requirements of Paragraph 1506.25, *The
Book of Discipline of the United Methodist Church*
As adopted by the 2008 General Conference**

1. Description of South Carolina Eligibility and Plan Design:

A. Who is entitled to health benefits in retirement?

Board of Pension and Health Benefits Report, Group Insurance Section, Report Number One, Paragraphs 1-9 reads as follows:

1. Those fully employed and funded by a local church either as Elders in Full Connection, Deacons in Full Connection, Associate Members, Full Time Local Pastors, Probationary Elders, Probationary Deacons, Probationary Deacons/1992, Diaconal ministers and Students appointed as Local Pastors who are related to and serving a local church within the South Carolina Annual Conference and included in the Hospitalization and Medical Expense Program Adoption Agreement.
2. Ministers who are full time employees of and funded by the Annual Conference boards, councils or agencies.
3. District Superintendents.
4. Students appointed as full time local pastors appointed to and funded by a charge within the boundaries of the Annual Conference and actively at work.
5. Lay persons who are full time employees of and funded by the Annual Conference.
6. Retired clergy who have been under full time appointment to a local church with pension responsibility by the South Carolina Annual Conference, and who are immediately eligible to receive pension or incapacity benefits, and who have participation in the active group health plan of the South Carolina Annual Conference, the last ten (10) years of which were continuous and consecutive, shall be eligible for participation in the retiree health care program of the Annual Conference.
7. Retired lay employees who have attained age 62 and have been full time employees of the South Carolina Annual Conference or a local church of the South Carolina Annual Conference, and who are immediately eligible to receive United Methodist pension or incapacity benefits, and who have participation in the active group health plan of the South Carolina Annual Conference, the last ten (10) years of which were continuous and consecutive, shall be eligible for participation in the retiree health care program of the Annual Conference.
8. Those retired clergy or incapacitated employees, referred to herein as lay persons, immediately eligible to receive pension or disability benefits from the General Board of Pension and Health Benefits at the beginning of the month following the month in which the retired relation or disability leave with disability benefits takes place, and who had a minimum of ten (10) continuous and consecutive years of active participation in the South Carolina Annual Conference group health plan at the time of retirement or the granting of Basic Protection Plan incapacity benefits by the General Board of Pensions, and their respective spouses.
9. Ordained ministers from other United Methodist Annual Conferences and ordained ministers from other Methodist denominations, and other denominations, under Episcopal appointment fully employed and funded by a local church or charge of the South Carolina Annual Conference under the provisions of Paragraphs 346.1 and 346.2 of the 2008 Book of Discipline.
10. Full-time employees, and their eligible dependents, enrolled and funded by a local church of the South Carolina Annual Conference currently meeting the underwriting guidelines of the South Carolina Annual Conference group insurance plan. The salary-paying unit must establish the funding basis with the annual conference on the current advanced premium.

B. Plan Design

The plan Design is the Healthflex Medicare Companion 2 with the Pharmacy Plan 2 option.

2. When are participants entitled to benefits?

1. If otherwise qualified, at mandatory retirement at age 72 - §359.1 *Book of Discipline*.
2. If otherwise qualified, voluntary retirement with 30 years of service or attainment of age 62 (338) - §359.1b *Book of Discipline*.
3. If otherwise qualified, voluntary retirement with 40 years service or attainment of age 65 (341) - §359.1c *Book of Discipline*.
4. A local pastor who has been recognized as a retired local pastor in accordance §320.6 *Book of Discipline*
5. A surviving spouse and/or dependent of an active clergy member.
6. A surviving spouse and/or dependent of a retired clergy member.

7. Lay employees as listed in A above.
8. A surviving spouse and/or dependent of an active lay employee.
9. A surviving spouse of a retired lay employee.

3. For how long are they entitled to benefits? What about survivors and surviving dependents?

1. Under the current plan design, the benefits are lifetime for Retiree Survivors, and eligible dependents unless the participant elects to leave the plan. Standard Healthflex rules apply to right of return once an election to terminate is made.

4. Contribution Strategy and cost-sharing arrangements of the retiree health plan?

1. For 2006-2008 cost sharing is 20% to the retiree and 80% to the Conference if fully eligible for funding.
 Conference share = \$280/month
 Participant share = \$70/month

Conference cost for those who are between 10 years and 20 years are earned by 10% per year for years 11-20 of continuous and consecutive service and coverage under the conference health plan. Pension and Health Benefits Report, Group Insurance Section, Report Number One, Paragraph 10 reads as follows:

Funding for the group insurance plans upon retirement in benefit from the South Carolina annual Conference shall be based on full time employment by the Annual Conference, full time appointment to a local church or eligible extension ministry with pension responsibility by the South Carolina Annual Conference, and shall be based on the following schedule:

10 continuous years of appointment and participation in the active plan	0%
11 continuous years of appointment and participation in the active plan	10%
12 continuous years of appointment and participation in the active plan	20%
13 continuous years of appointment and participation in the active plan	30%
14 continuous years of appointment and participation in the active plan	40%
15 continuous years of appointment and participation in the active plan	50%
16 continuous years of appointment and participation in the active plan	60%
17 continuous years of appointment and participation in the active plan	70%
18 continuous years of appointment and participation in the active plan	80%
19 continuous years of appointment and participation in the active plan	90%
20 continuous years of appointment and participation in the active plan	100%.

2. For 2009 cost sharing is 30% to the retiree and 70% to the conference if fully eligible for funding.
 Conference share = \$258/month
 Participant share = \$110/month

Conference cost for those who are between 10 years and 20 years are earned by 10% per year for years 11-20 of continuous and consecutive service and coverage under the conference health plan. See above

5. Plan Assets

The Board of Pension and Health Benefits projects a \$8,500,000 balance in its HEMP account at the General Board of Pension and Health Benefits that will be used to address part of this gap in funding.

6. Plan Liabilities

The Retiree Health Valuation dated December 31, 2006 estimated the Accumulated Postretirement Benefit Obligation (APBO) to be \$63,275,000. Further review and refining our plan eligibility rules reduced the APBO to \$50,262,000 as verified by the actuary.

The action of the 2008 Annual Conference reducing the maximum subsidy further reduced the APBO to \$44,512,000.

7. Plan for bridging the gap between assets and liabilities

This gap is proposed to be addressed by both a reduction in the retiree subsidy phased in from 2011-2036 and a surcharge placed on premiums to fully fund this liability by the year 2036.

The Details are as follows:

The Subsidy will be reduced as follows:

Effective 1/1/2012	Limit Subsidy to \$5,000 per retiree.
Effective 1/1/2013	Lower maximum subsidy to 65% (With \$5,000 maximum)
Effective 1/1/2014	Lower maximum subsidy to 60% (With \$5,000 maximum)
Effective 1/1/2014	Lower maximum subsidy to 55% (With \$5,000 maximum)
Effective 1/1/2015	Lower maximum subsidy to 50% (With \$5,000 maximum)

The Funding will be accomplished via a surcharge on all premiums phased in over five years beginning in 2011 an amount as shown below:

In 2011 20% of yearly total for "Costs of benefits earned by actives" and "Annual Payment of unfunded liability"

In 2012 40% of yearly total for "Costs of benefits earned by actives" and "Annual Payment of unfunded liability"

In 2013 60% of yearly total for "Costs of benefits earned by actives" and "Annual Payment of unfunded liability"

In 2014 80% of yearly total for "Costs of benefits earned by actives" and "Annual Payment of unfunded liability"

In 2015 100% of yearly total for "Costs of benefits earned by actives" and "Annual Payment of unfunded liability" until unfunded liability is completed then an amount to pay for yearly earning of benefits.

8. Attestation and Certification:

The Conference Board of Pension and Health Benefits certifies that this true and accurate to the best of our ability. Actuarial Assistance and costing was obtained from Watson/Wyatt Worldwide Chicago, IL. Paul Sepe and Gary Bakker of Watson/Wyatt Worldwide were instrumental in gathering actuarial cost data.

*Edward L. McWilliams, Chairperson
Sherry Eisom, Secretary*