Working together for meaningful coverage

Managing future plan costs is a shared responsibility. By taking a number of small steps individually, we can have a significant and positive impact on the plan costs as a whole. To reduce current and future costs, please consider the following cost-management strategies:

1. Check prices for products and services required on a non-emergency basis.

There is a broad range of prices charged for products and services:

- pharmacy dispensing fees range from $4 to $15 per prescription,
- ingredient cost mark-ups on drugs can range from 10% to 40% or more, and
- healthcare and dental practitioner charges can vary.

When shopping for your healthcare needs, be sure that you're getting the same value you look for when you shop for gasoline, clothing or groceries.

2. Co-ordinate reimbursement through other plans under which you are insured.

You may be able to send claim expenses to another group benefits program – whether it is through a prior employment arrangement, a professional association, the Ontario Drug Benefit Program or through your spouse's plan (under which you are insured as a dependant).

3. Audit bills and insurer statements to ensure they are accurate.

Claim processing and billing can be subject to error. Please ensure that:

- services billed have been performed,
- fees for the same service are billed only once, and
- amounts charged appear reasonable.

These simple precautions can pay big dividends in the long run.

4. Consult with your Healthcare and Dental practitioners.

Don't be afraid to ask your healthcare practitioner some key questions. Is the treatment prescribed medically required? Will it conflict with treatment plans or drug therapies recommended by other healthcare practitioners? Is the prescribed drug covered under the Ontario Drug Benefit (ODB) Program? If not, then why not, and are there other equally suitable drugs that are covered?

5. Request trial-size dosages when new medication is prescribed.

Although it may result in an extra dispensing fee, trial-size dosages prevent waste if a new drug causes side effects or is ineffective for you.

6. Follow treatment plans prescribed.

Take all medication and follow all treatment plans as directed – and for the period prescribed. Report any serious or unexpected side effects to your healthcare practitioner as soon as possible. If you have concerns with your ability to follow directions, discuss this up front and develop alternative plans.

What is the Diocese doing to assist retirees?

The Diocese is committed to providing meaningful benefit coverage to its retired clergy and lay employees. Here is a partial list of what is being done to assist you.

1. The Diocese continues to pay 75% of the premium cost.

2. To help you fully understand and use the new plan, the Diocese will be offering workshops beginning in early 2006, running articles in *The Anglican*, and producing new comprehensive plan descriptions.

3. The Human Resources department will be available to assist you at the Diocesan office. If you have any questions about the benefit changes – or your retirement benefit plan in general – please feel free to contact the Human Resources department at (416) 363-6021, ext. 232 or rdentigner@toronto.anglican.ca.

Comparative surveys

As part of our review process, we compared our retirement benefit plan with those provided by other organizations. Here is what we found:

- 29% of employers offer post-retirement health benefits.
- 19% of employers offer post-retirement dental benefits.

From a 2001 benefits industry survey

- 50% of Anglican Dioceses in Canada offer post-retirement benefits.
- Of the 30 Anglican Dioceses in Canada, only seven provide post-retirement dental coverage.
- Of the Anglican Dioceses in Canada, 10 post-retirement plans are fully member-paid.

From a 2004 survey of all Anglican Dioceses in Canada

Based on this comparative data, your retirement benefit plan remains highly competitive – even with the changes.

The final word This bulletin provides a summary of certain benefits available to eligible clergy and lay personnel who will turn 65 and/or have 35 years of service as of December 1, 2007; it is not intended to be comprehensive. If there are any discrepancies between the information provided in this bulletin and the documents, the documents will rule in all cases. The Diocese retains the right to amend the plan – including benefits in payment – at any time, and may be required to do so in response to regulatory or legislative updates. December 2005

December 2005

Diocese of Toronto
Anglican Church of Canada

Important updates

Introducing changes to your retirement benefit plan

In light of increased healthcare costs, the Diocesan Council – together with third-party experts – conducted a review of the current retirement benefit plan. As a result of the review, the Council has approved a new plan for current retirees effective December 1, 2007. At the same time, the Diocese will introduce an entirely new plan for anyone retiring on or after December 1, 2007.

As someone who will turn 65 and/or complete 35 years of service before the December 1, 2007 effective date, you are in a unique position. You may elect coverage under:

- the updated plan available to current retirees (even if you continue to work beyond December 1, 2007); or
- the new plan available to future retirees.

This bulletin has been designed specifically to help you make an informed decision, one way or the other. As you will see, the bulletin provides a side-by-side comparison of the two plan options available to you; introduces the new and innovative Healthcare Spending Account (HSA) available under the second plan option; and outlines the steps that you and the Diocese can take to help manage benefit costs in the future.

We urge you to read this bulletin carefully – and to contact the Human Resources department at (416) 363-6021, ext. 232 or rdentigner@toronto.anglican.ca if you have any questions.

The new plan at a glance

Offering you meaningful and affordable coverage

Diocesan Council has approved changes to the retirement benefit plan, effective December 1, 2007. The following tables provide a side-by-side comparison of the retirement benefit options – the *revised current* plan and the *new* plan – available to you.

Health

Benefit coverage	Revised current plan	New plan (effective December 1, 2007)
Basic Medical	• 100% of eligible expenses	• 85% of eligible expenses
Prescription Drugs*	• 85% of eligible expenses • Subject to a $6.11 dispensing fee cap (the cap currently in place under the Ontario Drug Benefit Program for seniors)	• 85% of eligible expenses • Subject to a $6.11 dispensing fee cap (this is the cap currently in place under the Ontario Drug Benefit Program for seniors)
Hospital	• Semi-private	• Ward coverage available, paid through the provincial healthcare plan • Additional coverage available through the Healthcare Spending Account, subject to annual dollar limits (see page 2)
Vision	• $100 for glasses; $250 for contact lenses (resulting from surgery)	• Available through the Healthcare Spending Account, subject to annual dollar limits (see page 2)
Lifetime Maximum	• $50,000	• $50,000

A number of drugs not covered by the Ontario Drug Benefit Program, see page 2.

New plan at a glance (cont'd)

Dental

Revised current plan	New plan
• 80% of eligible basic expenses • 50% of eligible denture expenses (to an annual maximum of $1,000)	• Eligible expenses can be reimbursed through the Healthcare Spending Account, subject to annual dollar limits (see below)

Healthcare Spending Account (HSA)

Revised current plan	New plan

• Not available	• Annual cash allocation equal to:
	  • $400 single
	  • $800 family
	• Use to purchase eligible medical, drug, and dental services (including portion of basic medical and prescription drugs not covered by plan).

Please note that this is a summary and is not intended to be comprehensive. Some of the benefits listed above are subject to restrictions and exclusions. When you retire, you will continue to pay 25% of the total premium cost. You can request a full description of the plan by contacting the Human Resources department.

How is this plan integrated with the Ontario Drug Benefit Program?

Your Diocesan prescription drug plan is integrated with the Ontario Drug Benefit (ODB) Program managed by the Ministry of Health and Long-Term Care. Available to seniors and certain other individuals (e.g., residents of long-term care facilities), the ODB covers the cost of a wide range of prescription drugs (minus some annual deductibles and co-payments).

The Diocesan drug plan currently covers a number of drugs not covered by the government-sponsored plan. It is monitored regularly. You will still be able to submit the portion of your ODB drug claims that the government does not currently pay, e.g. the dispensing fee (up to $6.11).

Introducing the Healthcare Spending Account

Under the second (i.e., new) plan option, you will not receive retirement dental benefits per se. Instead, you will have access to an innovative and tax-effective feature called a Healthcare Spending Account (HSA). As a member of the plan, you will receive an annual cash allowance from the Diocese equal to:

- $400 if you have single coverage,
- $800 if you have family coverage.

You can use the money in your HSA to pay for any eligible *medical*, *drug* or *dental* expenses that are not covered (or not fully covered) under your retirement benefit plan or provincial healthcare plan. This means that, among other things, you can use this money to cover the 15% of medical and drug expenses not covered under the new plan. Better yet, you are not required to pay income tax on your HSA allocation, which automatically increases your purchasing power.

Use it or lose it

Under Canada Revenue Agency (CRA) rules, you can carry forward unused balances in your HSA from one year to the next. However, CRA also requires that any amount carried forward and unused by the end of the next policy year will be forfeited. It will then revert to the Diocesan Post-Retirement Benefit Fund. For example, if you end up with $100 in your HSA at the end of the first policy year, that balance will be carried forward and added to the next year's HSA allocation. Whatever you don't spend of that $100 by the end of the second policy year will go back to the Diocesan Post-Retirement Benefit Fund.

Defining dependants

You can make claims under your HSA for you and your dependants. When it comes to your HSA, dependants can include your spouse/partner and children, as well as anyone who is recognized as your dependant by the Canada Revenue Agency (CRA).

Looking ahead

The Diocesan Council has undertaken that actuarial surplus which may be generated by the Post-Retirement Benefit Fund in the future will be considered for use on a priority basis to address the adequacy of the HSA.

Considering the cost

A look at the cost impact of the new plan changes

Like most private healthcare plans in Canada, the Diocesan retirement benefit plan has experienced significant cost increases in recent years. In the last two years alone, premium costs increased by 27%. By all indications, they will continue to increase at similar levels into the foreseeable future.

Based on trends, there is a very real concern that the current retirement benefit plan will simply become unaffordable – for both you and the Diocese. As the following table illustrates, the **estimated** annual premium costs for a plan member with family coverage could climb to $2,100 by 2020 under the current plan:

Projected annual premium cost per retiree with family coverage

Year	Under the CURRENT retirement benefit plan		Under the NEW retirement benefit plan	
	Member cost (25%)	Diocese cost (75%)	Member cost (25%)	Diocese cost (75%)
2005	$1,000*	$3,000	N/A until 2007	N/A until 2007
2010	$1,300	$3,900	$1,075	$3,225
2020	$2,100	$6,300	$1,625	$4,875

** Estimated based on combined monthly health, vision and dental premium of $84.58 per retiree with family coverage.*

With many parishes facing declining attendance and the rapid aging of our identifiable givers, increases in the Diocesan contribution levels would conceivably threaten the viability of the plan – and the mission of the Diocese itself. The Diocese simply is not in a position to absorb these cost increases.

Keeping things in focus

The importance of your formal feedback

Given the importance of the proposed changes to the retirement benefit plan, the Diocese conducted a series of focus groups this past summer. The focus groups were designed to give you a voice in the new plan design. All active clergy and lay personnel were invited to attend the two-hour sessions and 54 of you participated in the process.

Following the formal presentation outlining the proposed changes and options, focus group participants were asked to respond to a series of questions. Participants were also invited to voice their personal opinions throughout the session. Following is a summary of the key findings:

- 93% of participants indicated that they understood the reasons for the proposed changes.
- 78% of participants support the Diocesan plan to change the retirement benefit plan.
- 98% of participants agreed that the session was informative and/or useful.

The real debate surrounded the selection of a preferred dental plan for those retiring on or after December 1, 2007. Participants had two options to consider: (1) access to basic dental services (subject to an annual dollar maximum), and (2) the introduction of the HSA described in this bulletin. Of those participants who registered a preference:

- 62% preferred the HSA.
- 38% preferred the basic dental plan.

Participants offered a number of thoughtful suggestions and opinions during the sessions. This important feedback helped to shape the design of the new plan and influence future communication. Other suggestions may yet influence the plan design going forward. Many of these key issues will be discussed in greater detail in the future.

Funding future benefits

Unlike a pension plan where money is set aside to pay for future benefits, the former retirement benefit plan was funded from the annual Diocesan budget. This has historically been the accepted practice of most organizations in Canada.

Changes in accounting practices several years ago prompted us to look at retirement benefits the same way we look at our pension obligations. We had build up a large obligation to fund retirement benefits and had not set aside any funds to provide for them.

Because retirement benefits are important, Diocesan Council wanted to provide additional financial security for funding premiums in the future. To accomplish this, the Post-Retirement Benefit Fund was created; $7.5 million of Diocesan assets were set aside to address current and future obligations.