



LUTHERAN CHURCH — CANADA
WORKER BENEFIT PLANS

To: Congregational Treasurers and Institutional Business Managers

From: Dwayne Cleave, Executive Director
LCC Worker Benefit Plans

Date: September 24, 2013

Re: **2014 Employer Rates for pension and benefits**

At its recent meeting, the Board of Managers (BOM) with input from their consultants determined the employer and employee rates that are necessary to fund the worker benefit programs in 2014. The overall net increase to employers for pension and benefit costs will be approximately 4% and will become effective January 1, 2014.

In setting the rates, the BOM is always mindful of the impact any of its decisions has on congregations, schools and synod institutions; recognizing the challenges and difficulties that can be caused by rate increases. Before making any decisions about increases, all alternatives are very carefully reviewed and we ensure we have gotten the best rates possible from our insurer. Our continuing goal is to ensure that our member's pensions are secure, members receive the benefits they require; and costs to churches, schools, and institutions and their employees are affordable. Meeting all those goals simultaneously continues to be challenging.

Please review the following commentary for explanations of the rate increases by benefit category. *To provide further clarity, we have also included in your material two appendices, which illustrate the net dollar impact the new rates will have on a typical employer and employee that participate in our plans.*

If you have any further questions regarding the new rates, please do not hesitate to contact the worker benefit department.

An Explanation of 2014 Employer Rates

Pension Plan

The 2014 contributions required to fund the pension plan will increase to 16.0% of payroll, up from 15.5% in 2013. The increase in contributions is the result of improved mortality. In other words people are living longer (including our current and future retirees) so the expectations are that pensions paid from the Defined Benefit Pension Plan will have to be paid out for a longer period of time, thereby requiring increased contributions to the Defined Benefit pension fund.

The contribution rate has been set on the assumption that employers will only have to fund the Pension Plan normal service costs and *going concern deficit*. The contribution rate is subject to change if our plan has to start funding the Defined Benefit component of the Pension Plan on a solvency basis. Currently, the pension regulator has not required us to fund the solvency deficit but it is within their power to do so. The Board of Managers has been working with the pension regulators to create understanding on the implications to our employers if they are required to fund the solvency deficit. I think it is fair to say that the regulators have a good understanding of the financial constraints of our employers and are willing to work with us on finding long term funding solutions for the LCC Pension Plan. Employers will be updated on those efforts as we progress. However, should a further rate increase become necessary in 2014, employers will be given as much notice as possible in advance of the change.

Post - Retirement Benefits

The employer 2014 contribution for post-retirement benefits will remain the same at 1.8% of payroll. In 2014, retirees will pay 30% of the total premium cost; in 2013, they paid 25%.

Group-Benefits (Life Insurance, Dependent Life, LTD, Health, Dental, EAP)*

The 2014 aggregate premium rates for Group Benefits (Life, Health and Dental) have increased by 5.7% compared to 2013. The 2014 Long-Term Disability rates which are 100% paid by employees is increasing by 2% compared to 2013.

Poor experience along with an aging demographic (which increases the probability of a higher volume of claims in the future) accounted for the basic life, dependent life and long-term disability increases.

The rates for health and dental both increased as a result of the actual claim experience of our employees. We have also factored into the 2014 rates anticipated price increases to drug costs and dental service fee guides, based on past years' trends.

The rate for EAP has been reduced for employers from \$8.19 per month to \$7.00 because our employee's utilization of the EAP program was less than expected.

Administration Fees

The monthly administration expense per active member in 2014 will be \$75.00, which is the same rate as 2013.

Administration services include such things as WBP staffing costs for providing enrollment, billing, communication and customer services; data maintenance; pension calculation; government calculations and tax reporting; flex benefit enrollment system; consulting services for group benefits and Defined Contribution (DC) pension investments; DC pension plan record keeping; regulatory filing requirements and legal, accounting and auditing services.

Employee Deductions

It is important that the premium for the following benefits be entirely paid for by the employee and cannot simply be paid for by the congregation. This is a legal requirement to comply with both our plan regulations and Canada Revenue Agency taxation rules. For example, any LTD premium paid by the employer will taint the whole plan, making the benefit when paid to any claimants taxable rather than non-taxable.

1. Employee required pension contributions (4%) or Optional DC pension contribution (choice of 1%, 2%, 3% or 4% of compensation)
2. Long Term Disability premiums (1.126%, 1.265% or 1.336% of compensation depending on their option choice)

Should you have any questions or require further clarification, please do not hesitate to contact the Worker Benefit Dept at 1-800-588-4226 or email wbpinfo@lutheranchurch.ca

In His Service,



Dwayne Cleave, Executive Director
LCC Worker Benefit Plans

* Employer premium costs are calculated as a percentage of an employee's Total Annual Compensation which includes basic salary plus utility allowance plus housing allowance. When the employer provides a residence (parsonage), the housing allowance is considered to be 30% of the basic salary.

2014 Contribution Rates

	<i>Part Time Worker (15 to <24 hrs/wk)</i>	<i>Full Time Worker (24 hours or more per week)</i>		
		Worker Only	Worker with 1 dependent	Worker with 2 or more dependents
BASIC LIFE				
1 x		.41%	.41%	.41%
2 x		.82%	.82%	.82%
3 x		1.23%	1.23%	1.23%
4 x		1.64%	1.64%	1.64%
5 x		2.05%	2.05%	2.05%
DEPENDENT LIFE		n/a	.094%	.094%
OUT OF COUNTRY		\$1.97/mth	\$4.16/mth	\$4.16/mth
EAP		\$7.00/mth	\$7.00/mth	\$7.00/mth
EXTENDED HEALTH				
Plan Option 1		\$51.40/mth	\$102.75/mth	\$126.92/mth
Plan Option 2		\$69.78/mth	\$139.53/mth	\$172.24/mth
Plan Option 3		\$85.93/mth	\$171.77/mth	\$212.12/mth
DENTAL PLAN				
Plan Option 1		\$34.45/mth	\$68.81/mth	\$92.64/mth
Plan Option 2		\$51.67/mth	\$103.32/mth	\$138.93/mth
Plan Option 3		\$71.64/mth	\$143.28/mth	\$192.66/mth
ADMINISTRATION		\$75.00/mth	\$75.00/mth	\$75.00/mth
PENSION PLAN	16%	16%	16%	16%
POST RETIREMENT	1.8%	1.8%	1.8%	1.8%

Monthly Impact of Rate Changes for *Employers*

For use for budgeting purposes - majority of employees in this category

Sample Employee: Life Status: Member +2 or more Annual Salary: \$60,000

Benefit	2014 Rate	2013 Rate	2014 Monthly Employer cost	2013 Monthly Employer cost
LCC Pension	16%	15.50%	\$800.00	\$775.00
Basic Life				
5x earnings	2.05%	1.83%	\$102.50	\$91.50
4x earnings	1.64%	1.46%		
3x earnings	1.23%	1.10%		
2x earnings	0.82%	0.73%		
1x earnings	0.41%	0.36%		
Dependent Life	0.094%	0.084%	\$4.70	\$4.20
EAP	\$7.00	\$8.19	\$7.00	\$8.19
Out of Country				
Single	\$1.97	1.81		
Family	\$4.16	\$3.81	\$4.16	\$3.81
Extended Health Care				
Option 2				
Member	\$69.78	\$70.27		
Member +1	\$139.53	\$140.51		
Member +2	\$172.24	\$173.45	\$172.24	\$173.45
Dental				
Option 2				
Member	\$51.67	\$46.63		
Member +1	\$103.32	\$93.25		
Member +2	\$138.93	\$125.39	\$138.93	\$125.39
Administration Fee	\$75.00	\$75.00	\$75.00	\$75.00
PRB Expense	1.80%	1.80%	\$90.00	\$90.00
Total			\$1,394.53	\$1,346.54

Monthly Impact of Rate Changes for *Employees*

For use for budgeting purposes - majority of employees in this category

Sample Employee: Life Status: Member +2 or more Annual Salary: \$60,000

Benefit	2014 Rate	2013 Rate	2014 Monthly Employee cost	2013 Monthly Employee cost
LCC Pension	4.00%	4.00%	\$200.00	\$200.00
LTD				
Option 1	1.126%	1.104%		
Option 2	1.265%	1.240%	\$63.25	\$62.00
Option 3	1.366%	1.339%		
Extended Health Care				
Option 1				
Member	-\$40.83	-\$42.50		
Member +1	-\$15.83	-\$19.17		
Member +2	\$10.00	\$5.00		
Option 2				
Member	-\$15.83	-\$19.17		
Member +1	\$10.00	\$5.00		
Member +2	\$24.17	\$18.33	\$24.17	\$18.33
Option 3				
Member	\$10.00	\$5.00		
Member +1	\$70.00	\$61.67		
Member +2	\$109.17	\$98.33		
Dental				
Option 1				
Member	-\$43.75	-\$43.75		
Member +1	-\$32.08	-\$32.92		
Member +2	-\$21.25	-\$22.08		
Option 2				
Member	-\$32.08	-\$32.92		
Member +1	-\$17.08	-\$17.92		
Member +2	-\$1.25	-\$2.92	-\$1.25	-\$2.92
Option 3				
Member	-\$6.25	-\$7.08		
Member +1	\$41.25	\$38.75		
Member +2	\$77.08	\$73.75		
Total			\$286.17	\$277.41