serving those who serve

LUTHERAN CHURCH–CANADA
WORKER BENEFIT PLANS

To: Congregational Treasurers and Institutional Business Managers

From: Dwayne Cleave, Executive Director
LCC Worker Benefit Plans

Date: September 25, 2016

Re: **2017 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 2017. By and large this renewal is a good news story as good experience on the group insurance plans has resulted in no increase in rates for most plan coverages. Good news for plan members is that Long- Term disability premiums have **decreased by 15%** this year.

There are two exceptions to this good news story, one being that the Out of Country coverage, for active members has almost doubled in cost since last year. However, the cost of this plan represents a small portion of the overall group benefit costs (about $38,000 for the entire active membership). Retiree rates for health and dental have also increased by 12.7% and 9.9%, respectively, however, retirees will be assuming a large portion of the cost of these plans as they will now pay 45% of the costs, up from 40% last year. The premium charged to employers for the Post-Retirement Benefits will increase slightly from 1.8% of payroll to 1.9% payroll.

Rates for the Pension Plan and the Employee and Family Assistance Plan and Administration also remain unchanged. This means most employers will see a small increase in costs and most members will see a decrease in costs for 2017 depending on member's benefit selections and salary change (which a number of benefits/premiums are based upon).

Our continuing goal is to ensure that our member's pensions are secure, members receive the benefits they require; and costs to congregations, schools, and institutions and their employees are affordable. Meeting all those goals simultaneously can be challenging.

Please review the following commentary for explanations of the rate changes 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 2017 Employer Rates

Pension Plan

The 2017 contributions required to fund the pension plan will remain the same at 16.0% of payroll.

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 2017, employers will be given as much notice as possible in advance of the change.

Post - Retirement Benefits

As noted above, the employer 2017 contribution for post-retirement benefits will increase slightly from 1.8% of payroll to 1.9% of payroll. In 2017, retirees will pay 45% of the total premium cost; in 2016, they paid 40%.

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

The 2017 aggregate premium rates for Group Benefits for both active and retirees (excluding Long-Term Disability) increased 3% compared to 2016.

The 2017 Long-Term Disability rates which 100% are paid by employees decreased by 15% compared to 2016 as a result of good experience. The average savings to employees as a result of the decrease in premium rates will be approximately $115.00 per year.

Extended Health and dental rates remain unchanged. The rates for health and dental are based on actual claim's experience (which was good in 2016) of our employees along with anticipated price increases to drug costs and dental service fee guides, based on past years' trends.

The rate for EAP remains the same as 2017 at $7.00 per month.

Administration Fees

The monthly administration expense per active member in 2017 will be $75.00, which is the same rate as 2016.

Administration services include such things as administrative 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. Furthermore, 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%) and Optional DC pension contribution (choice of 1%, 2%, 3% or 4% of compensation)
2. Long Term Disability premiums (.968%, 1.087% or 1.1742% of compensation depending on their option choice)

Should you have any questions or require further clarification, please do not hesitate to contact Ellement at 1-844-440-1045 or email lccbenefits@ellement.ca

In His Service,

Dwayne Cleave

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.