serving those who serve

LUTHERAN CHURCH–CANADA
WORKER BENEFIT PLANS

Policy on Employer Legacy Pension and Benefit Costs

Effective: January 1, 2016

Purpose: To outline the process that will be followed in determining pension and benefit costs when a participating employer in the Worker Benefit Plans temporarily has no members (i.e. they are in between calls) or they no longer have employees (i.e. they will no longer be calling a pastor). Employers in these situations are required to continue contributing towards the deficit on the Defined Benefit Plan (DB) and towards the cost of Post-Retirement Benefits Plans (health and dental) that have been provided to eligible retirees ("*the legacy costs*"). **All employers that participate or participated in these plans collectively own the deficit or obligation for these plans.** This policy is intended to support the securing of the pension and post-retirements benefits for pastors and church workers, including those that are no longer working or who are retired in order that these workers receive the full benefits that they have earned.

Policy: Employers are expected to fully pay their share of monthly legacy costs in order to fund the deficit in the DB Pension Plan and the costs of the Post-Retirement Benefits Plans. No current costs (normal costs) are charged for the pension plan. Costs are based on the Going-Concern deficit in the DB plan amortized over 10 years. Costs are based on an average salary across employers and not a departing member's salary. Costs are subject to change based on the results of the pension valuation (usually done annually). These costs cease when the replacement employee is enrolled in the plan (costs are then based on the new member's salary and include active member benefit costs).

Legacy costs only apply while a position remains vacant. It there is no intent to ever fill a position and the employer has no other employees or if the employer does not make legacy payments for a period of a 120 days, the employer will be considered to have withdrawn from participating in the Worker Benefits Plans. Negotiations on the terms of the withdrawal will commence as outlined under the Withdrawal Policy, including the terms of paying for any solvency deficits under the DB pension plan.

Employers who anticipate difficulty in paying their obligations should contact the Executive Director, Worker Benefit Plans - Dwayne Cleave (1-800-588-4226 ext. 2219) ahead of time to discuss payment options.

Process:

- When the last member retires or terminates at a participating employer a letter is sent to the employer outlining the amount of the legacy costs that they will be required to pay until they hire a replacement.
- Worker Benefit Plans will continue to transfer funds from the employer's account electronically for the legacy costs until the new replacement employee is hired, at which time the invoice for legacy costs is discontinued.
- Employers who do not pay the legacy costs will be contacted as outlined in the policy on Overdue Accounts. In some cases, members of the District Presidents may be asked to be part of the process in finding solutions for the funding of legacy cost.
- Employers wanting to withdraw from the Worker Benefit Plans need to provide 60 days notice and state their intentions in writing to the Executive Director, Worker Benefit Plans who will discuss payment options under the Withdrawal Policy and the terms of a Withdrawal Agreement.

Questions: Questions on this policy may be directed to:

- Dwayne Cleave, Executive Director, Worker Benefit Plans at treasurer@lutheranchurch.ca or 1-800-588-4226,ext.2219
- Nancy Swerhun, Pension and Benefits Manager, Lutheran Church – Canada at nswerhun@telus.net or 403-278-7506.

Approved by the Board of Managers:

Dated: July 16, 2016