



**LUTHERAN CHURCH-CANADA  
WORKER BENEFIT PLANS**

**Date:** October 13, 2010  
**To:** Church Council  
**From:** Board of Managers, LCC Worker Benefit Plans  
**RE:** Update on the Pension and Benefits Plan Redesign

## **Overview**

Over the past year the Board of Managers has been reviewing the design and funding of the pension plan, post-retirement benefits and group benefit programs. This review was necessitated by a number of issues including:

- Adverse investment and plan experience resulting in substantial going concern and solvency deficits under the pension plan
- The depletion of the reserve fund that had been utilized to pay for post-retirement benefits
- Concerns expressed by a number of employers regarding increasing pension and benefit costs and the affordability of the plans

During this review, our goals have been to balance the needs of members with employers' ability to pay, to make changes that have the least impact on members and save the most benefits and to produce long-term sustainable plans.

During this review the Board of Managers has consulted with a broad section of stakeholders. It began in January where 20 members, employers and staff gathered in Winnipeg for a strategic planning session. Consultation continued in the spring when 16 focus groups were conducted with almost 200 members and employers. Focus group participants received information on current and alternative plan designs being considered by the Board of Managers, provided input on these alternatives, and made other suggestions for changes. Two changes being implemented - employee funded Long-term Disability (LTD) and cost sharing of post-retirement benefit costs by Retiree's - were suggestions made by focus group participants.

The pension plan was seen as the most crucial benefit and received considerable discussion. Employers expressed the need for cost certainty in the contribution rate and felt members needed to share in the funding to make them affordable. Members indicated their preference for a pension that was guaranteed and were accepting of the need to share in the cost of funding rather than lose the benefit. A decision on the pension plan design has been deferred as we investigate a number of issues and options including future organizational financing and demographics. Given that pension plans are long-term plans that are highly regulated at both the provincial and federal level, as well as, considering the importance of this benefit to employees and the complexities of change, the Board of Managers felt it was prudent to take the time to consider all issues to ensure

that we get the design right. They will be making a final decision on pension design early in 2011.

As a result of the redesign process a number of changes have been announced and will be implemented as summarized below:

## **Changes**

### **Cost Savings and Benefit Reductions**

- Post-Retirement Benefits are closed to all but current retirees and future retirees who qualify and retire by July 1, 2012 or who were both 60 years old and had 15 years of service as of July 1, 2010. A number of design changes have also been made to the post-retirements benefit plans in an effort to limit future cost increases, promote better health care consumerism while at the same time limiting the out of pocket expenses to retirees.
- We have increased the number of hours per week for eligibility for members to qualify for group benefits from 15 hours to 24 hours per week. Annual cost savings to employers is estimated to be **\$105,000**.
- The employer match on employee contributions to the Defined Contribution plan is being suspended effective January 1, 2011 until a decision on the final pension plan design is made. This will result in aggregate annual savings of **\$225,000**.
- Members will now pay their own LTD premium which will provide them with a better benefit in the event they make a claim (benefits are non-taxable when members pay the premium). The cost shift from employers to members is 1.45% of payroll. In 2011 the LTD premium cost is estimated to be **\$ 505,000**.
- Retirees will now pay at least 10% of their health and dental premium. In 2011 retiree benefit premium costs are anticipated to be \$622,000. Retirees will pay approximately **\$62,000**.

### **Other Changes**

In its strategic plan, the Board of Managers listed “transparency” as a value. Therefore, employers are going to see invoices that show each of the premiums for various benefits and the administration costs as a separate line item.

### **Future Actions**

- *Pension Plan Redesign*. While we have not yet determined a final design we have decided that any future plan design will require member (employee) contributions.
- *Group Benefit Program* for actives members is currently under review and we are comparing our benefit programs to those of other church bodies of a similar size.
- *Administration services* are under review to determine if we are both competitive and effective in delivering benefit programs.

As we work together to serve those who serve within Lutheran Church–Canada we are meeting some difficult challenges. Please be assured that we continue listening to our partner employers and members so that we can, with God’s help, support His workers in ways that do not hinder the proclamation of His Good News.