



**LUTHERAN CHURCH-CANADA
WORKER BENEFIT PLANS**

Changes to the Long-Term Disability Plans

This newsletter is intended to provide further details on the Long-Term Disability Plan (LTD) change that was outlined in a newsletter sent to members in July, 2010. As noted in the previous newsletter, the review of the design of the benefit plans was the result of numerous concerns that the Worker Benefit Plans received from employers who indicated that the plans were no longer affordable and increasing costs were impacting their operations. In considering design options, the Board of Managers kept in mind the need to ensure the plans were cost sustainable for employers, while having the least impact on members and saved the most benefits.

As previously announced, **effective January 1, 2011 members will pay the cost of LTD premiums rather than employers.** This means that members will no longer receive credits from employers to pay for their LTD premiums. While this results in an increase in costs to members, it also provides an increase in LTD benefits coverage. Canadian tax law requires benefits to be **taxable** when an LTD claim is made if the **employer** pays the LTD premium. When a **member** pays the LTD premium, benefits at the time of claim are **non-taxable**. The examples for an Alberta member in the chart following give an indication of the net benefits payable to a claimant under a 60% taxable and 60% non-taxable plan:

Monthly Salary	Non-Taxable Plan (Employee Paid)		Taxable Plan (Employer Plan)	
	Estimated Gross Benefits Paid	Estimated Net Benefits Paid	Estimated Gross Benefits Paid	Estimated Net Benefits Paid
\$ 4,200	\$ 2,520	\$ 2,520	\$ 2,520	\$ 1,875
\$ 6,300	\$ 3,780	\$ 3,780	\$ 3,780	\$ 2,560

Options and Costs

Members will be able to elect coverage under the following non-taxable LTD options:

- 50% non-taxable
- 60% non-taxable
- 60% non-taxable with a 2% per year cost of living adjustment (COLA)

Members will automatically be defaulted into the 60% non-taxable plan but will be able to elect either the 50% non-taxable option or the 60% option with COLA without having to submit an evidence of insurability. If a member elects the 50% non-taxable plan and later wants one of the higher options, they will be required to submit an evidence of insurability form and may be required to provide proof of good health.

The following chart provides examples of the monthly member costs for the non-taxable LTD options:

Monthly Salary	50% non-taxable option		60% non-taxable option		60% non-taxable option (with COLA)	
	Rate (% of Pay)	Cost	Rate (% of Pay)	Cost	Rate (% of Pay)	Cost
\$ 4,200	1.291	\$ 54.22	1.45	\$ 60.90	1.566	\$ 65.77
\$ 6,300	1.291	\$ 81.33	1.45	\$ 91.35	1.566	\$ 98.65

Members Disabled as of December 31, 2010

Members, who are on Long-Term Disability under the old taxable LTD plan as of the date the new non-taxable plan becomes effective, will continue to receive their benefits under the old taxable plan until such time as they are no longer eligible.

Members who are disabled at December 31, 2010 and are not able to report to work, but who are not yet on long-term disability, will have any future long-term disability benefit based on the old taxable LTD plan (benefits are based on the coverage in place when a person becomes disabled). Members in this situation will be permitted to re-enrol in the Flex Benefits Plan and will be enrolled in the non-taxable LTD plan. However, if they do not return to work and become eligible for LTD (taxable plan), any deductions taken for the non-taxable plan from January 1, 2011 to the date benefits commence under the taxable plan will be refunded.

Summary and Contacts

While no plan sponsor wants to reduce benefit plans, we believe that the changes that are being implemented represent the best possible outcome to all stakeholders.

If you have any questions or comments, please e-mail the following contacts or call WBP at 1-800-588-4226 at the extensions noted below:

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