

March 31, 2014

Dear Fellow Co-Workers in Christ,

Greetings from the Council of Presidents and Concordia Plan Services!

As you know, modifications to the Concordia Retirement Plan (CRP), designed to preserve the core benefits provided by the Plan and to sustain it for future generations, become effective July 1, 2014. We encourage you to review these changes at the Concordia Plan Services (CPS) website: www.ConcordiaPlans.org.

Among the modifications, there is one that may require further clarification and attention – handling Full Basis and Regular Basis Participation.

Beginning in 1982, LCMS ministries were <u>encouraged</u> to provide an "offset payment" to rostered church workers enrolled in the CRP under the Regular Basis. This "offset payment," currently 3.0% of compensation, is the difference between the contribution rates for the Full and Regular Basis in order to equalize the amount paid for retirement benefits for all rostered church workers.

In 1994, the CRP was amended so the "offset payment" would be <u>mandatory</u>. Communication materials from Worker Benefit Plans (the predecessor to Concordia Plan Services) began to use the word "must" instead of "should" in describing how ministries were to approach this provision.

Since that change, there has been a significant amount of confusion regarding this issue. The unfortunate and unintended consequence was that district presidents were often caught in the middle. They graciously stepped in to help ministries comply with this requirement in the CRP, and to facilitate equity among the called workers of the church.

In reviewing current practice, CPS concluded that the <u>requirement</u> of the offset payment should be removed from the CRP. This is a CPS decision, a decision recently shared with the Council of Presidents. The reasons CPS reached this decision are provided on the attached summary. It was also determined that 2014 was the optimal time for CPS to remove the offset requirement from the Plan to coincide with other changes being implemented. As a result, effective July 1, 2014, LCMS ministries that participate in the CRP will not be required to make the "offset payment" to rostered workers that are enrolled in the CRP on the Regular Basis.

However, the Council of Presidents, along with Concordia Plan Services, strongly encourages all ministries that have been making the offset payment to such rostered workers to continue to do so beyond July 1, 2014.

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Of course, ministries may make changes for new workers. However, if a ministry is calling a new worker, the ministry should be clear in communicating its position and practice about future offset payments.

Ultimately we believe that the removal of this provision will benefit the ministries and workers of the church, lessening the potential for confusion, frustration, and non-compliance.

If you have questions about your compensation package, we encourage you to speak with your employer. For more information, or if you have any questions, please do not hesitate to contact CPS at 888-927-7526 or visit www.ConcordiaPlans.org.

God's richest blessings on you and your ministry!

In His Service,

The Rev. Dr. Larry Stoterau,

Chairman, Council of Presidents and

President, Pacific Southwest District, LCMS

James F. (Jim) Sanft President and CEO,

Concordia Plan Services

CONCORDIA PLAN SERVICES

Your LCMS Benefits Partner

Elimination of the "Offset Payment"

Key Points

Why is Concordia Plan Services eliminating this requirement?

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- The "Offset Payment" requirement is not universally understood and is not followed uniformly or consistently.
- The "Offset Payment" is best handled as a function of current salary-related compensation for workers, not future retirement benefits.
- CPS believes employers should have the discretion to develop compensation practices for their unique situations according to district guidelines.
- The number of "Full Basis" participants becomes smaller and smaller each year making the provision less and less applicable.
- Why was the provision added in the first place?
 - Changes in the law and in Synodical clarifications led to requiring all new workers (beginning in 1982) to go on the "Regular Basis."
 - This led to an inequity between rostered workers on the "Full Basis" and those on the "Regular Basis."
 - The "Offset Payment" was a way to ease that inequity.
 - Recall also that lay workers receive an additional employer paid retirement contribution to Social Security, and Medicare.
 - Currently, employers contribute 7.65% of pay for lay workers' retirement benefits through Social Security and Medicare.
 - Some employers do provide a payment to rostered workers of 7.65% of pay to equalize the total compensation with lay workers.
 - Other employers do not provide this payment to rostered workers.
 - In summary, additional retirement contributions are paid to the CRP for Full Basis rostered workers and to Social Security for lay workers. The "Offset Payment" was intended to provide equity to those rostered workers on the "Regular Basis."
- Can an employer just stop paying the "Offset Payment?"
 - Each employer has the discretion to transition away from the "Offset Payment", if and in the manner it deems best for its particular situation.
 - The 3% of pay "Offset Payment" is a part of a worker's total compensation.
 - To simply stop paying the 3% would be to reduce that worker's compensation.
 - The 3% could simply be added to the worker's current salary such that it will be a part of all future salary
 adjustments, thus not reducing the total compensation and effectively eliminating the need to separately
 account for an "Offset Payment" for any future workers.
 - Each employer should continue to refer to district guidelines for compensation.

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