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STATE OF THE CONCORDIA PLANS

Supporting LCMS ministries in a changing world

Your workers, serving confidently — knowing their financial and physical health are taken care of today and for their lifetime

LCMS MINISTRIES THRIVING IN A CHANGING WORLD

The world is very different than it was a few years ago. We continuously monitor the factors that impact the Concordia Plans and adjust to help ensure the sustainability of the Plans and—most importantly—support you so your ministry thrives and your workers live well.

2025 Concordia Plans Adjustments

CRP: The rate for the Traditional Option will increase by 1% of compensation each year for the next three years (2025, 2026 and 2027).

CHP: Millions of dollars saved from renegotiated contracts and consolidated health plan options will equate to the **average** CHP 2025 rate **decreasing** 3%.

These changes are to keep your workers well as they serve today and keep the CRP healthy for when they retire.

In this report we detail the “why” behind the 2025 changes, the factors impacting the Concordia Plans today and how our team is navigating them to sustain our Plans for everyone we serve. Thank you for partnering with us to care for your workers as they spread His word.

THE STATE OF THE CONCORDIA RETIREMENT PLAN PENSION (CRP)

Considerations as we continue to provide benefits to current and future retirees

The CRP risk management framework is rooted in actuarial and pension plan management experience supported by best-in-class actuarial, investment and legal resources. We continuously monitor and adjust our quantitative modeling to project the CRP's funding status for decades into the future. **Key factors for which we are monitoring and adjusting today:**

ECONOMIC UNCERTAINTY

The world today is different than it was just a few years ago. Our investments - global and diversified - are impacted directly and indirectly by the times within which we live. The economic crisis of 2020, inflation and geo-political issues, including multiple ongoing military conflicts, have impacted the investment outlook of our pension. As such, there has been a decline in the expected rate of return from the market. We have adjusted the CRP's expected rate of return calculations accordingly.

\$30^M ↓

The CRP's expected rate of return has decreased by .75%, which equates to \$30 million annually.

CASH FLOW

As a mature pension plan, the CRP has more retirees than active workers. As a result, investment income is the primary driver to fulfill retirement benefit promises (the ratio of workers to retirees is expected to decrease for the next 10 years and then level out). As benefit payments increase more than contributions, cash flow decreases.

Another factor impacting cash flow is the dynamic LCMS demographics. As some ministries contract, LCMS schools are growing. The CRP had more members in 2023 than in 2022. However, new members were increasingly lay school workers with more moderate salaries. Lower salaries equate to lower CRP contributions than the rostered workers who are retiring and beginning to draw their pension benefits.

Decreased cash flow increases vulnerability in a volatile market because investments have to be sold in a down market to cover benefit payments.

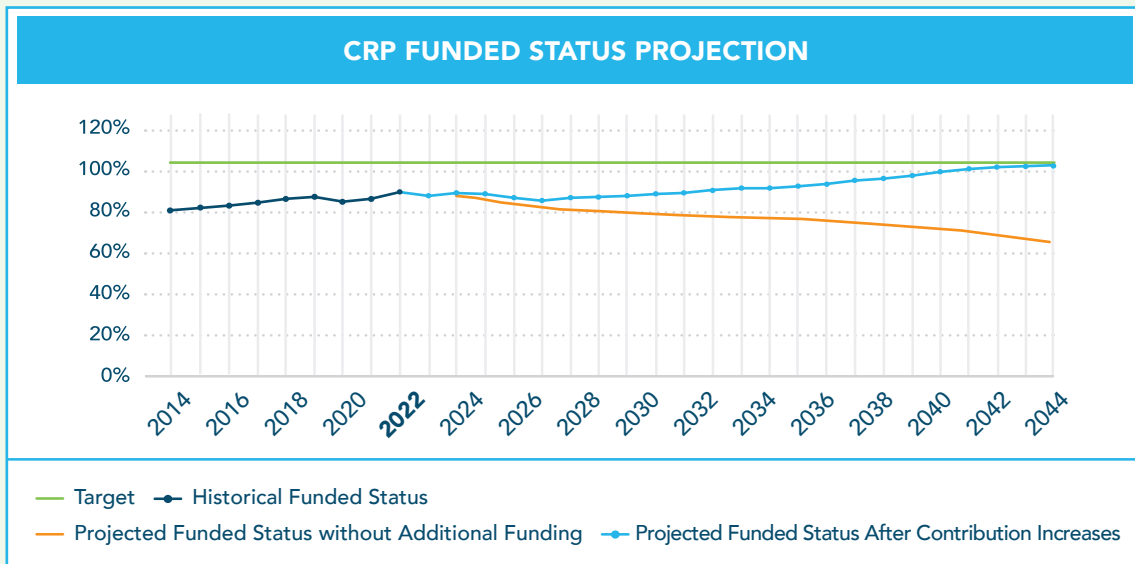
Potential solutions to stabilize CRP funding status

It is important not to be overly reactive, so we continuously monitor and adjust our modeling to project the CRP's funding status decades into the future. **Our actuarial consultants are advising us to increase CRP funding to account for lower expected returns on investments and decreased cash flow.** Possible solutions to increase funding are:

- ✘ **Take on more investment risk:** Given the economic uncertainty discussed above, this is not a time to take on more risk.
- ✘ **Spend more time monitoring:** Given the cash flow considerations above, this is not a time to wait - but a time to take moderate action.
- ✘ **Cut back benefits:** We are not pursuing this option as we honor service to the Church and so would only pursue this as a last resort.
- ✔ **Increase contributions:** This is the best solution to maintain promised benefits to retirees today and in the future.

2025 CRP Rate Adjustment

To account for lower future returns on investments and decreased cash flow, the CRP rate must be adjusted. The CRP rate for the Traditional Option* will increase by 1% of compensation each year for the next three years (2025, 2026 and 2027) to increase funding for retirement benefits to current and future retirees. The increase is spread over three years to help minimize the impact on your budget.



Funded status is the actuarial value of assets divided by the accrued liability.

We will continue accounting for all external and internal factors, monitoring, adjusting and sustaining the CRP to care for your workers and your ministry.

** For the Account Option the rate increase is .2%, .2% and .1% of salary in 2025, 2026 and 2027 respectively.*

The CRP remains the right fit for LCMS ministries

The best way to help workers prepare for their financial futures remains a comprehensive retirement solution including a pension, 403(b) or 401(k) and Social Security. In fact, many companies are looking to reestablish pension plans as workers have become dissatisfied with retirement plans as their pensions were eliminated decades ago. The value of a pension is undeniable:

- *Effective recruitment and retention tool to attract workers who value its stability and their ability to keep it growing as they move to different LCMS ministries that offer the CRP. It also appeals to teachers who are accustomed to public school pensions.*
- *Investment risk does not lie with the individual worker but is managed by investment experts.*
- *Monthly retirement income doesn't run out for retirees and surviving spouses.*

Combined with the Concordia Retirement Savings Plan (CRSP) 403(b) and Social Security, your workers in the CRP will be on course to have financial security in retirement.

THE STATE OF THE CONCORDIA HEALTH PLAN (CHP)

Designed to drive better health outcomes, meet members' needs and lower rates

The cost of health insurance in the United States is at crisis level, leaving many businesses with few options to provide adequate coverage. This makes it even more remarkable that the ministries in the CHP – **by pooling resources and risk to care for their workers – improve their workers' health outcomes, which results in millions of dollars saved in the CHP.** These savings drive down ministries' annual rate increases.

The CHP difference: We're all in this together

The economies of scale – or cost advantage in purchasing as a group – that LCMS ministries have in the CHP is multiplied through our relationships with the organizations in the Church Benefits Association. Together, we negotiate better rates and access.

With the CHP you have access to health plan options not available to any single employer in the marketplace and with controlled costs. This is possible in part because, as a non-profit entity of the Synod, we do not build in any profits. Additionally, we help drive positive member health outcomes by directing members to the best providers and programs through CHP health and wellness resources.

CHP rates are set based on recent claims from CHP members (the expenses required to cover care) and projections of healthcare needs for our population. So, when claims are lower, rate increases are lower, too.

Unlike plans in the marketplace, we maintain health coverage for our members and their dependents regardless of their health challenges. We are all in this together.

DID YOU KNOW? CHP wellness resources, such as Vitality (incentive-based wellness program) and Virta (diabetes reversal program), drive down costs. **When members use these solutions, they are improving their health outcomes and driving down premium costs and rates.**



48%

In 2023, 48% of members in Virta diabetes reversal program **eliminated the need of expensive medications** such as insulin. This equated to **saving \$9,800 annually per participating member.**

We work with best-in-class consultants to continuously monitor and adjust our CHP designs to drive positive health outcomes for members and drive down costs for ministries. In 2024, we introduced health plan administrators AmeriBen and Allegiance as well as healthcare navigation with Quantum Health, positively impacting the Plans in the short-term and as a multiplier through improved long-term health outcomes.

2025 CHP Adjustments

Each year, strategic administrative adjustments are made to the CHP. In 2025, the Plan will benefit from renegotiated contracts and consolidated health plan options. This will equate to **millions of dollars saved and the average CHP 2025 rate decreasing 3%.**

Rates at ministries vary as they are driven by many factors, including location, carrier and changes to the CHP. While the majority of CHP options have a rate decrease for 2025, some, such as our HMOs in California, have experienced a number of significant factors, negatively impacting the rates CHP pays for member care and driving up the rates in those plan options.

Ministries' rates will be shared via mailed rate renewal letter by mid-July.



Normalizing mental health care to improve wellness for workers

When the 2023 Synodical Convention prioritized addressing the state of mental health, we established a mental health advisory council to keep an even stronger pulse on the state of mental health in the LCMS. Since then, CPS has:

- *Built an in-network directory of Lutheran and Christian counselors.*
- *Delivered communication to help normalize using mental health care - this concerted effort encouraged our members to use their Employee Assistance Program (EAP), which they used twice as often as the national average.*
- *Enhanced our EAP with Evernorth Confide Behavioral Health Navigator, so that when a member is in need, they can find the right support quickly.*

THE STATE OF THE CONCORDIA DISABILITY & SURVIVOR PLAN (CDSP)

Meaningful flexibility to provide needed support to ministries and members

When workers need to access disability benefits, the situation can be challenging for the ministry and the worker. We monitor state and national changes, broad trends and those specific to our own members to adjust our CDSP options to best meet your needs.

In 2025, we will have increased flexibility in short-term and long-term disability benefits and basic life insurance coverage to support ministries with evolving needs. One example is ministries in states with mandated short-term disability plans will now be able to care for their workers without over-insuring or overpaying. More information on these options will be shared directly with ministries.

LCMS MINISTRIES THRIVING IN A CHANGING WORLD

While the world is different today, our dedication to help your workers be well and ministries thrive is more resolute than ever. We continuously monitor and adjust the Plans so your ministry can sustain and workers can serve confidently – knowing their financial, physical and mental health are taken care of today and for their lifetime. Please reach out to your CPS Account Manager if you have any questions.



Learn more about how we monitor and adjust the Plans to support LCMS ministries in a changing world in our 2024 Stewardship Report.



CONCORDIA PLANS

FOR MORE INFORMATION

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