

Association of Free Lutheran Congregations (AFLC) Benefits Handbook

An employee benefits package is essential to the well-being of employers and employees alike. The administration of employee benefits plans is becoming increasingly complex. To make it easier for the congregations and corporations to offer benefits to their pastors and employees, the AFLC, through the AFLC pensions' board, maintains an employee benefits menu for congregations and corporations of the AFLC.

This overview of the group benefits available through the Association of Free Lutheran Congregation under the AFLC Board of Pensions is a quick reference guide to key information about the plans. You can obtain more detailed information, summary plan descriptions and plan documents for the AFLC benefit plans by contacting Cory Buck, Business Manager, at the AFLC Headquarters.

The Association of Free Lutheran Congregations (AFLC) makes the following employee benefit plans available:

- **Hospital and medical benefits** – Effective January 01, 2009, large group hospital and medical insurance is no longer available to congregations of the AFLC. A Health Reimbursement Arrangement (HRA) and Flexible Spending Account (FSA) are available to provide tax advantaged payment of individual health insurance premiums and other eligible costs.
- **Survivorship benefits** that pay a lump sum survivor benefit upon your death or your spouse's death.
- **Retirement savings plans** that allow you to save for retirement with pre-tax contributions by the employer/congregation and the employee.
- **Long term Disability Income insurance** that provides income replacement for employees and pastors employed by congregations and corporations of the AFLC.

ELIGIBILITY:

Eligible Employers:

- All congregations affiliated with the AFLC may sponsor their eligible employees.
- All affiliate corporations of the AFLC, including the Coordinating Committee, the AFLC Missions Corporation, the AFLC Schools Corporation and the ARC, may sponsor their eligible employees.

Eligible Employees:

- Pastors and lay-pastors on the AFLC clergy roster who serve full-time under a call to an AFLC affiliated congregation.
- Pastors and lay-ministers, not on the AFLC clergy roster who serve full-time under a call to an AFLC affiliated congregation.

- Lay employees who are employed full-time by an electing eligible employer. Employees of the Coordinating Committee, Missions Corporation, Schools Corporation who work a minimum of 32 hours per week are considered full-time.

BENEFITS SUMMARIES:

Hospital and Medical Benefits:

The AFLC does not offer group medical insurance. Recognizing that congregations often have only one employee, their pastor, making them ineligible to offer group health insurance and medical benefits, the AFLC makes available a Health Reimbursement Arrangement (HRA) and a Flexible Spending Account (FSA) designed to maximize tax-free medical benefits for those participants.

Health Reimbursement Arrangement (HRA):

Employers (AFLC congregations and corporations) within the AFLC make tax free contributions into the HRA to reimburse employees for individual health insurance premiums and other medical costs that they may incur. The employee arranges for reimbursement of eligible medical costs. Employer contributions to the plan in excess of actual expenses are accumulative for the employee, available to be used for future medical needs. Employee balances in the HRA are portable, able to be used when the participant retires or leaves the service of the AFLC.

Flexible Spending Account (FSA):

The FSA allows participants to make an annual salary reduction election to be used to reimburse anticipated medical, dental and daycare expenditures on a tax-free basis. This account does not accumulate for participants; balances not used at the end of the year are forfeited.

Life Insurance Benefits:

The life insurance plan is offered to help ease the financial burdens of loved ones in the event of your death by providing a lump sum benefit. Group insurance is offered as a guaranteed issue benefit without medical requirements. This plan is a group life insurance contract with the Unum Life Insurance Company. It includes a base life insurance benefit, accidental death and dismemberment benefit and supplemental life insurance benefit. There is also an accelerated benefits rider for insured employees that provides for an early payout of the life insurance benefits in certain circumstances. Retirees may choose to continue their group life insurance plan in retirement.

Group Life and Accidental Death and Disability (AD&D) Benefit:

	<u>Life</u>	<u>AD&D</u>
Active Employees	\$50,000	\$50,000
Dependent Spouse	\$ 5,000	None
Dependent Children:		
Live birth to 14 days	\$ 1,000	None
14 days to 6 months	\$ 2,000	None
6 months to 19 years (26 years if F-T Student)	\$ 2,500	None

Attached Rider – Accelerated Benefits Rider for Insured Employees Only

The amounts of Life and AD& D in force are reduced as follows by age:

<u>Attained Age</u>	<u>Percentage of benefit to Amount in effect at age 64</u>
65-69	65%
70+	50%

Group Life and AD&D Rates:

Employee Life: \$0.47 per thousand per month
AD&D: \$0.30 per thousand
Dependent Family Unit: \$2.65 per employee
Retiree Life: \$3.25 per thousand per month

Supplemental Life Insurance:

The Supplemental Life Insurance Benefit allows eligible employees to purchase term life insurance in addition to the group life and AD&D in the amount up to five times annual salary. \$50,000 of that may be purchased without medical requirements.

Long Term Disability Insurance Benefit:

A Group Long Term Disability Insurance (LTD) program is available for qualified pastoral and support staff that work at least 32 hours per week and are actively employed by AFLC affiliated congregations and organizations. Group Long Term Disability Insurance provides a lower premium cost-than individual Long Term Disability policies.

Participants receive LTD coverage with premiums paid as an employer paid benefit. Employees may choose to have the premium included in taxable income or excluded as a tax free benefit.. When the premium excluded from taxable income, the benefit received in disability would be considered taxable income. If premiums are included as taxable income, the benefit received would be tax free.

Benefits

- In the event of a qualifying disability, your LTD policy will pay you 60% of your qualified monthly salary to a maximum level of \$3,900 (which covers \$78,000 of annual salary) per month up to age 67. This benefit is offset by any Federal

Social Security Disability Benefits you might receive. The final benefit level will be determined after upon initial enrollment and will be based upon the maximum income level of participants.*

- Includes a Partial Disability Rider provides a benefit when earnings are reduced by more than 20% because of sickness or accidental injury. A person may receive partial disability benefits even as they continue to fulfill part of their duties.*

***This handbook is not a contract. For contractual details of this plan please refer to the Unum policy available by contacting Cory Buck at the AFLC Headquarters.**

PRE-EXISTING CONDITION CLAUSE APPLIES TO ALL APPLICANTS

There is a pre-existing clause in the contract that reads as follows:

“A pre-existing condition is a sickness or accidental injury for which, during the 3 months immediately before the date your insurance started, you did one or more of these:

- *Saw a doctor for treatment*
- *Received medical services or advice*
- *Took prescribed drugs.*

This pre-existing condition exclusion will not apply to a claim for loss incurred or disability commencing after 12 months from the effective date of your disability income insurance.”

Long Term Disability Insurance may replace a portion of your income should you become disabled. The AFLC group long term disability insurance can be converted to an individual policy if you leave your AFLC position.

Premiums:

The premiums for the long term disability income insurance benefits are paid by the employer. The cost is \$0.44 per \$100.00 of monthly income per month. For pastors, the housing allowance is considered to be part of income in calculating the disability benefit and premium.

Retirement Savings Plans:

The AFLC maintains two retirement savings plans, a 401(k) and a 403(b). These are payroll deduction plans designed to help employees provide a source of income in the retirement years. Participants decide how to invest from among the menu of options available within the plans. Employee Contributions to the plans are pre-tax (no income tax is paid until income is received from the account.

For pastors, the AFLC plans offer a benefit that is not available in other investments. Within a church or denominational plan such as the AFLC plans can designate that a portion of retirement distributions be considered housing allowance and thereby tax-exempt as income for the retired pastor.

AFLC 401(k) and 403(b) Plans:

Investment and account services for the AFLC 401(k) and 403(b) plans are provided by Hartford Retirement Services, LLC, an affiliate of The Hartford Financial Services Group, Inc. Third party administration services for the plans are provided by Employee Benefits of St. Cloud (EBSC).

This is a brief overview of important features of your Plan. A more detailed information summary of the Plan is available by contacting Cory Buck, AFLC Business Manager at (763)545-5631.

Eligibility:

Eligible Employees can contribute to the Plan after they have:

- Completed **one hour** of Service, as defined by the Plan; and
- Attained the age of **21**.

The following Employees are not eligible to participate in the Plan:

- Employees who are Participants in the Association of Free Lutheran Congregations Internal Revenue Code Section 403(b) Tax Deferred Annuity Plan.
- Employees who are Leased Employees.
- Employees classified by the Employer as independent contractors.
- Students of the Seminary and Bible School that work on campus.

If you were eligible to contribute prior to **January 1, 2006**, you will continue to be eligible.

Contribution limits for the Calendar Year of 2009:

Participants may elect to defer up to \$15,500 of your W-2 compensation (pay) to the plan. Persons over age 50 are eligible for an additional catch-up contribution of \$5,000 for a maximum of \$15,500. Employer match to the plan is in addition to the above contribution limit.

Employer Contributions The Plan provides for contributions to be made by participating employers in the following manner:

Your employer contributes a matching contribution to the plan equal to **166.67%** of the employee contribution to a maximum of **3%** of salary. To be eligible for employer contributions, you must have completed one Year of Service. You complete a Year of Service if you work at least 1,000 hours in the initial 12 months of your employment. If you don't complete 1,000 hours in your initial 12 months of employment, we will calculate your eligibility based upon calendar years, beginning with the calendar year starting in your initial 12 months of employment. If you were eligible matching contribution prior to **January 1, 2006**, continue to be eligible without regard to the 1,000-hour requirement. 4/19/2006

Investment Direction:

Participants give investment directions for account balance(s) in the Plan. The AFLC plans offer a menu of investment options from which participants can choose. These investment options are regularly reviewed and evaluated by AFLC Board of Pensions to assure that quality and diversity is maintained.

Participant can choose from two series of investment options, the **“Create Your Own Portfolio Series”** and the **“Tailor Made Portfolio Series”** from which to direct their investments.

“Create Your Own Portfolio Series”

The **“Create Your Own Portfolio Series”** offers a menu of investment classes from which you may create your own portfolio. The **“Create Your Own Portfolio Series”** is right for you if you:

- have the interest, knowledge and time to choose and maintain a mix of investments (asset allocation) that fits your age (time horizon), assets and attitude toward risk (automatic rebalancing is available)
- are investing in a specific asset class (or classes) that complements other investments you hold elsewhere.

“Tailor Made Portfolio Series”

The **“Tailor Made Portfolio Series”** offers four diversified and managed options, conservative, moderate, growth or aggressive growth portfolios. They allow participants to make investment choices based on their level of risk tolerance, and offer broadly diversified portfolios that are automatically rebalanced

The following tables can help you visualize the options and investment styles available:

“Create Your Own Portfolio Series”
Investment Style Boxes

BOND and FIXED INCOME FUNDS

	Short-Term	Intermediate Term	Long Term
High Credit Quality	MFS Fixed Fund (401(k)) MFS Money Market (403(b))	PIMCO Total Return A MFS Gov’t Securities Bond Fund R3	
Medium Credit Quality			
Low Credit Quality	Eaton Vance Income Fund of Boston A		

WORLD BONDS

	Short-Term	Intermediate Term	Long Term
High Credit Quality		Oppenheimer Int'l Bond A	
Medium Credit Quality			
Low Credit Quality			

DOMESTIC STOCK FUNDS

	Value	Blend	Growth
Large Cap	MFS Value Fund R3	Davis NY Venture R3 MFS Utilities R3	American Funds Growth Fd of Am R3
Mid Cap	Columbia Mid-Cap Value Fund A		Van Kampen Mid Cap Growth A
Small Cap	Columbia Small Cap Value II A		Van Kampen Small Cap Growth A

INTERNATIONAL STOCK FUNDS

Foreign Large Cap Blend

Nationwide International Growth A

Diversified Emerging Markets

Pioneer Emerging Markets A

International Multi-Cap Core Funds

MFS International Diversification Fund R4

“Tailor Made Portfolio Series” ASSETT ALLOCATION FUNDS

MFS Conservative Allocation R3

MFS Moderate Allocation R3

MFS Growth Allocation R3

MFS Aggressive Growth Allocation R3

The funds offered within any of the investment choices may change periodically as a result of the on-going monitoring process of the AFLC Pensions' Board.

Vesting:

Vesting refers to your “ownership” of your account. You are always 100% vested in all the contributions that you make to the plan (including your rollover contributions transferred into the Plan).

Your vested interest in your account balance attributable to **AFLC's** contributions is calculated according to the following table:

Years of Service	Vesting %	Forfeited %
Less than One	0	100%
One Year or More	100%	0%

You may access the internet website of the Hartford Retirement Services through, www.thehartford.com/retirementplans/access, to obtain educational opportunities to assist you in making investment or portfolio choices. You may also contact Hartford Retirement Service directly at (800) 854-0647 to make changes to your allocation. Automatic rebalancing is also offered by Hartford to help maintain the correct percentages in each fund sector. For questions on the available options, contact your own personal financial advisor or contact Rod Kjersten, registered representative for the AFLC plans at (218) 463-3369 or by e-mail at rodk@wikel.com.