

BENEFITS BITS

A Newsletter from the Board of Pensions,
the Association of Free Lutheran Congregations

The AFLC Board of Pensions

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Employee Benefits of St. Cloud (EBSC)

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Welcome to the premier issue of **BENEFIT BITS**, a newsletter with the purpose of informing members, friends and participants about employee benefit plans available to member congregations and corporations of the Association of Free Lutheran Congregations, their pastors and employees. Through the means of this newsletter, we hope to educate and inform you of changes and challenges related to employee benefit plans. .

Why do we have employee benefit plans?

Many of lay people depend on the employee benefit packages that are offered by their employers. Benefits like health, life and disability insurance, retirement plans and medical reimbursement plans. Often these benefits are taken for granted. However, they offer significant tax advantages to participants, and employers offer them so they might attract and retain quality employees. And the congregations and corporations within the AFLC are employers. They too want to attract and retain quality pastors and employees.

Employee benefit plans are increasingly complex to administer. Congregations often have a single employee, their pastor, and often the persons and boards charged with administrating the benefit package are volunteers with vocations that are far removed from employee benefits administration. To assist congregations in dealing with the complexities involved, The AFLC maintains a menu of employee benefits that are available for member congregations and corporations to offer their employees. The AFLC Board of Pensions is responsible for maintaining this benefits menu and in that capacity is responsible to the AFLC Coordinating Committee. These benefits include:

- **A Health Reimbursement Arrangement and Flex Spending Account** to provide tax advantaged reimbursement of medical, child care and adoption expenses.
- **Long term Disability Insurance** that replaces 60% of income (including housing allowance for pastors) for employees and pastors employed by

congregations and corporations of the AFLC. Participation in this plan is not limited by having to meet medical requirements.

- **Group Life, and Accidental Death and Disability Insurance** that pays out a lump sum survivor benefit to your beneficiary upon death. There are two parts to the group life insurance. There is a basic \$50,000 (reduced after age 65) benefit with spouse and child benefit provided by the employer. Participants can also purchase additional up to five times income as salary reduction (\$50,000 without meeting medical requirements) through the **Supplemental Life Insurance Benefit**.
- **401(k) and 403(b) Retirement Savings Plans** that allow participants to save for retirement with pre-tax employee and employer match contributions. For pastors, a benefit of being in the denominational retirement savings plan is that income received from this plan in retirement is designated as housing allowance, permitting tax-free income in retirement.

BENEFIT BITS will not attempt to provide details for these plans. You may obtain detailed information on them by contacting Cory Buck, AFLC Business Manager summary plan descriptions and plan documents. He can also connect you to other resources available to answer your questions about the AFLC plans. He can be reached at the AFLC headquarters, (763) 545-5631.

RETIREMENT PLAN CONTRIBUTION LIMITS CHANGE IN 2009

There are no percentage of salary maximums for the AFLC retirements savings plan. Beginning January 2009, the contribution limits to the AFLC retirement savings plans are increased to **\$16,500**. Persons over the age of 50 on January 1, 2009 can also set aside an additional **\$5,500** as a catch-up contribution for a total contribution of \$21,000.

The AFLC plans provide for an employer match of 1.67% for each 1% (to a maximum of 3%) of salary reduction contribution. The employer contribution to the plans is in addition to the above contribution limits.

HELP!!! MY RETIREMENT PLAN IS LOSING MONEY

What can I do?

The quarterly report that you receive from The Hartford is devastating in times like this. Add to the report, all of the bad news about financial institution failures, job losses, profit losses and increasing costs, it's enough to make one want to tear his/her hair out. Unfortunately, that won't do any good.

It is helpful, however, to step back from the bad news for a little bit and think about what a retirement really is. A retirement plan is a long-term plan. Even for the one who is retiring at age 65, the plan is long-term for that person must anticipate living at least twenty more years - and money must last that long. The history of the financial world is replete with cycles that have gone up and down. And each one seems to be the worst when one is enduring. There is no doubt; this down cycle is a tough one. In realizing that, it important to understand that the investment options available within the AFLC

Retirement Savings Plans are diversified investments; diversified over a broad range of companies and/or bond issuers. While market conditions have created a broad decline in investments, the diversified nature of each fund within the plans limits the impact of the failure of an individual company or bond issuer on the entire investment. In addition, each investment within the plan has a manager or team of managers that constantly research the holdings within that fund, making decisions to buy, hold or sell.

The Board of Pensions has in place an investment policy and procedure. The plans offer investments from diverse categories, including U.S. and International Bonds and Fixed Income, U.S. and International Stocks and Asset Allocation Funds which are themselves diversified among conservative, moderate, growth and aggressive growth objectives. The board regularly reviews each investment in the plan, as well as funds available to the plan; comparing each one to its peer group. The investment policy provides for a fund being placed on a watch list and replacing it if it fails to live up to the standards established within the Investment Review Policy.

It is important for each participant to have a diversified retirement savings plan. Diversification does not prevent drops in value; they are endemic to the investment world. Diversification does, however, tend to even out those ups and downs inherent within the market. Individuals may require portfolios that are very conservative while others may tolerate portfolios that are extremely aggressive. Portfolio construction is very individual.

In general, younger persons, with ten or more years until retirement, can gain some comfort from that old adage, "This too shall pass". They have time on their side to recover from this market cycle. Older persons and persons in retirement who are taking income may not have the advantage of time. Yet, all can enjoy the benefit of contributing to your plan during this time. Shares within funds have dropped in price. Each monthly dollar going into your fund is now purchasing more shares than it did two years ago. And those shares will be the first to increase when this market turns around.

The Hartford offers wonderful resources on how to develop a portfolio that is suitable for you. You may access your accounts and these resources by going on line at www.thehartford.com/retirementplans.access. They may also be contacted by phone at (800)854-0647. You may also contact our plan Registered Representative, Rod Kjersten at (218) 463-3369 or via e-mail at rodk@wiktel.com.

What next?

We hope you've enjoyed and profited by this issue of **BENEFIT BITS**. In future issues we hope to include board member biographies, tidbits to help in planning, more information on the benefits plans available to the AFLC and perhaps even some discussion of how benefit plans fit into the AFLC focus on the congregation as the right form of the Kingdom of God on earth. Is it possible to have a theological basis for something as mundane as insurance and retirement planning?

