

September 13, 2013

Dear WELS Pension Plan Participant,

This letter is to inform you of an upcoming change to the WELS Pension Plan (the "Plan"). In summary, the Plan's normal retirement age will be raised to align more closely with the Social Security normal retirement age for benefits earned beginning January 1, 2014. The Plan's new normal retirement age will be based upon each participant's date of birth according to the following schedule:

<u>Participant's Date of Birth</u>	<u>Normal Retirement Age</u>
On or before January 1, 1943	65
January 2, 1943 through January 1, 1960	66
After January 1, 1960	67

The Plan's normal retirement age represents the age at which a participant can receive his/her full benefit without any reduction for early retirement.

**Important Note: The new normal retirement age will not modify or reduce any benefits earned by participants through December 31, 2013. This change is prospective and will only affect benefits earned for service performed on or after January 1, 2014.**

This Plan change addresses two emerging dynamics:

1. Individuals are generally working and living longer than at any time in the past; and
2. Underperforming financial markets that have greater volatility and long-term uncertainty.

Please be assured that the Plan is financially sound today for current retirees. The WELS Pension Commission and Synodical Council approved this change to preserve the security of benefits for future retirees. We believe that this change strikes the appropriate balance between protecting benefits already earned by current participants and sustaining the Plan's long-term viability to provide meaningful benefits to future retirees, while remaining mindful of the cost impact to the ministry efforts of each local organization.

Please refer to the enclosed sheet for details on how the change affects the Plan's benefit formula as well as responses to several frequently asked questions. Resources are also available on the Benefit Plans Office website at [www.welsbpo.net](http://www.welsbpo.net) where you can estimate the amount of your future benefit under the revised formula.

The WELS Benefit Plans Office also welcomes the opportunity to discuss this change with you. Questions may be directed to our office by e-mailing [bpo@wels.net](mailto:bpo@wels.net) or by calling 414-256-3860.

In Christ's service,



Joshua Peterman  
Director of Benefit Plans, on behalf of the WELS Pension Commission

Enclosures

## **WELS Pension Plan Normal Retirement Age Increase**

### Benefit Provisions, Illustrations, and Frequently Asked Questions

*September, 2013*

In order to protect benefits already earned by participants through December 31, 2013, the benefit formula of the WELS Pension Plan (the "Plan") will be modified effective January 1, 2014, to separately calculate benefits earned prior to the normal retirement age increase (i.e. the "Pre-2014 Benefit") and benefits earned after the normal retirement age increase (i.e. the "Post-2013 Benefit"). The modified benefit formula has been approved by the WELS Pension Commission.

Effective January 1, 2014, the Plan's Basic Monthly Benefit formula for a participant who terminates employment on or after January 1, 2014 will be as follows:

$$\text{Participant's monthly benefit for life} = (\text{Pre-2014 Benefit} + \text{Post-2013 Benefit})$$

The Pre-2014 Benefit is calculated as follows:

$$(.57\% \times \text{Years of Credited Service attributable to Covered Employment before January 1, 2014} \times \text{Applicable Salary}) / 12$$

The Post-2013 Benefit is calculated as follows:

$$(.57\% \times \text{Years of Credited Service attributable to Covered Employment after December 31, 2013} \times \text{Applicable Salary}) / 12$$

The Applicable Salary applies to the participant's **total** Years of Credited Service, including service performed before January 1, 2014, and after December 31, 2013.

The normal retirement age for the Pre-2014 Benefit component is age 65 for all participants. The normal retirement age for the Post-2013 Benefit component is age 65, 66, or 67, depending on each participant's date of birth according to the following schedule:

<u>Participant's Date of Birth</u>	<u>Normal Retirement Age</u>
On or before January 1, 1943	65
January 2, 1943 through January 1, 1960	66
After January 1, 1960	67

Early retirement benefits will continue to remain available for a participant who terminates employment after attaining age 55.

If a participant terminates employment at or after his/her new normal retirement age, his/her Plan benefit will not be reduced for early retirement. Also, if a participant terminates employment prior to attainment of his/her new normal retirement age, but does not commence receipt of benefits until the participant attains his/her new normal retirement age, his/her Plan benefit will not be reduced for early retirement.

The key aspect of the Plan change occurs for a participant who terminates employment and chooses to receive early retirement benefits (i.e. prior to his/her new normal retirement age). In this scenario, the participant's Post-2013 Benefit will be reduced for early retirement by 0.5% per month that benefit commencement precedes the participant's attainment of his/her **new** normal retirement age. The participant's Pre-2014 Benefit will be reduced for early retirement by 0.5% per month that benefit commencement precedes the participant's attainment of **age 65**. Therefore, if the participant's new normal retirement age is greater than age 65, the participant's Post-2013 Benefit will be subject to a greater early retirement reduction than his/her Pre-2014 Benefit.

## Sample Benefit Illustrations

The Pre-2014 Benefit is calculated as follows:

$$(.57\% \times \text{Years of Credited Service attributable to Covered Employment before January 1, 2014} \times \text{Applicable Salary}) / 12$$

The Post-2013 Benefit is calculated as follows:

$$(.57\% \times \text{Years of Credited Service attributable to Covered Employment after December 31, 2013} \times \text{Applicable Salary}) / 12$$

A chart listing the current “Applicable Salary” amounts is provided on the next enclosed sheet.

<b>Sample Benefit Illustration #1 – New Normal Retirement Age of 66</b>
<p>Rev. Joseph Schultz, date of birth 2/4/1946, retires on 6/30/2014 and commences receipt of benefits 7/1/2014 at age 68. Rev. Schultz has served continuously since 7/1/1972 on a full-time basis, and will have 42.0 Years of Credited Service at retirement. His new normal retirement age is 66.</p>
<p><i><b>New Benefit Formula Effective January 1, 2014:</b></i>            Pre-2014 Benefit = <math>(.0057 \times 41.5 \times \\$53,359) / 12 = \\$1,051.84</math>            Post-2013 Benefit = <math>(.0057 \times 0.5 \times \\$53,359) / 12 = \\$12.67</math>  <b>Full Monthly Benefit = <math>(\\$1,051.84 + \\$12.67) = \\$1,064.51</math></b></p>
<p><i>Comparison to Benefit Formula in Effect through December 31, 2013:</i>            Full Monthly Benefit = <math>(.0057 \times 42.0 \times \\$53,359) / 12 = \\$1,064.51</math></p>
<p>Note that there is no reduction for early retirement, as Rev. Schultz has attained his new normal retirement age of 66 at the time of benefit commencement.</p>

<b>Sample Benefit Illustration #2 – New Normal Retirement Age of 67</b>
<p>Mrs. Laura Anderson, date of birth 3/12/1975, retires on 6/30/2035 and commences receipt of benefits 7/1/2035 at age 60. Mrs. Anderson has served continuously since 7/1/1997 on a full-time basis, and will have 38.0 Years of Credited Service at retirement. Her new normal retirement age is 67.</p>
<p><i><b>New Benefit Formula Effective January 1, 2014:</b></i>            Pre-2014 Benefit = <math>(.0057 \times 16.5 \times \\$53,359) \times [1 - (.005 \times 57)] / 12 = \\$299.01</math>            Post-2013 Benefit = <math>(.0057 \times 21.5 \times \\$53,359) \times [1 - (.005 \times 81)] / 12 = \\$324.23</math>  <b>Full Monthly Benefit = <math>(\\$299.01 + \\$324.23) = \\$623.24</math></b></p>
<p><i>Comparison to Benefit Formula in Effect through December 31, 2013:</i>            Full Monthly Benefit = <math>(.0057 \times 38.0 \times \\$53,359) \times [1 - (.005 \times 57)] / 12 = \\$688.64</math></p>
<p>Note that, because Mrs. Anderson commenced receipt of benefits 57 months prior to attainment of age 65, her Pre-2014 Benefit is subject to an early retirement reduction of 28.5% (0.5% x 57). In addition, because Mrs. Anderson commenced receipt of benefits 81 months prior to attainment of her new normal retirement age of 67, her Post-2013 Benefit is subject to an early retirement reduction of 40.5% (0.5% x 81).</p>

Please see the reverse side of this page for additional sample benefit illustrations.

*Note: Plan provisions are subject to change. The Plan’s benefit formula, provisions and your actual benefit amount may differ at the time of your retirement. This information is intended for illustration purposes only.*

## Sample Benefit Illustrations

The sample benefit illustrations on this page reflect the difference in benefit amounts between commencing early retirement benefits immediately after retirement versus delaying commencement of benefits until attaining age 65 or 66. The participant in this situation would consider the value of receiving early retirement benefits during the months before attaining age 65 or 66 versus deferring receipt of the benefits until age 65 or 66 to receive a higher monthly benefit amount for the remainder of his life.

### Sample Benefit Illustration #3A – New Normal Retirement Age of 66

Rev. Peter Smith, date of birth 8/14/1951, retires on 12/31/2014 and commences receipt of benefits 1/1/2015 at age 63. Rev. Smith has served continuously since 7/1/1977 on a full-time basis, and will have 37.5 Years of Credited Service at retirement. His new normal retirement age is 66.

***New Benefit Formula Effective January 1, 2014:***

$$\text{Pre-2014 Benefit} = (.0057 \times 36.5 \times \$53,359) \times [1 - (.005 \times 20)] / 12 = \$832.60$$

$$\text{Post-2013 Benefit} = (.0057 \times 1.0 \times \$53,359) \times [1 - (.005 \times 32)] / 12 = \$21.29$$

$$\text{Full Monthly Benefit} = (\$832.60 + \$21.29) = \mathbf{\$853.89}$$

*Comparison to Benefit Formula in Effect through December 31, 2013:*

$$\text{Full Monthly Benefit} = (.0057 \times 37.5 \times \$53,359) \times [1 - (.005 \times 20)] / 12 = \$855.41$$

Note that, because Rev. Smith commenced receipt of benefits 20 months prior to attainment of age 65, his Pre-2014 Benefit is subject to an early retirement reduction of 10% (0.5% x 20). In addition, because Rev. Smith commenced receipt of benefits 32 months prior to attainment of his new normal retirement age of 66, his Post-2013 Benefit is subject to an early retirement reduction of 16% (0.5% x 32).

### Sample Benefit Illustration #3B – New Normal Retirement Age of 66

Same facts as sample benefit illustration #3A, except that Rev. Smith commences receipt of benefits 9/1/2016 at age 65.

***New Benefit Formula Effective January 1, 2014:***

$$\text{Pre-2014 Benefit} = (.0057 \times 36.5 \times \$53,359) / 12 = \$925.11$$

$$\text{Post-2013 Benefit} = (.0057 \times 1.0 \times \$53,359) \times [1 - (.005 \times 12)] / 12 = \$23.82$$

$$\text{Full Monthly Benefit} = (\$925.11 + \$23.82) = \mathbf{\$948.93}$$

*Comparison to Benefit Formula in Effect through December 31, 2013:*

$$\text{Full Monthly Benefit} = (.0057 \times 37.5 \times \$53,359) / 12 = \$950.46$$

Note that, because Rev. Smith commenced receipt of benefits 12 months prior to attainment of his new normal retirement age of 66, his Post-2013 Benefit is subject to an early retirement reduction of 6% (0.5% x 12). However, his Pre-2014 Benefit is not subject to an early retirement reduction because benefit commencement did not precede attainment of age 65, which is the normal retirement age for his Pre-2014 Benefit.

### Sample Benefit Illustration #3C – New Normal Retirement Age of 66

Same facts as sample benefit illustration #3A, except that Rev. Smith commences receipt of benefits 9/1/2017 at age 66.

***New Benefit Formula Effective January 1, 2014:***

$$\text{Pre-2014 Benefit} = (.0057 \times 36.5 \times \$53,359) / 12 = \$925.11$$

$$\text{Post-2013 Benefit} = (.0057 \times 1.0 \times \$53,359) / 12 = \$25.35$$

$$\text{Full Monthly Benefit} = (\$925.11 + \$25.35) = \mathbf{\$950.46}$$

*Comparison to Benefit Formula in Effect through December 31, 2013:*

$$\text{Full Monthly Benefit} = (.0057 \times 37.5 \times \$53,359) / 12 = \$950.46$$

Note that, because Rev. Smith commenced receipt of benefits after his new normal retirement age of 66, his entire benefit is not subject to an early retirement reduction. This is true even though he retired prior to attaining age 65 or 66.

*Note: Plan provisions are subject to change. The Plan's benefit formula, provisions and your actual benefit amount may differ at the time of your retirement. This information is intended for illustration purposes only.*

**WELS Pension Plan**  
**Appendix D – Applicable Salary Schedule**  
**For Retirement Dates on or After July 1, 2012**

<b>Years of Credited Service</b>	<b>Applicable Salary (\$)</b>
0	35,572
1	36,165
2	36,759
3	37,352
4	37,944
5	38,538
6	39,130
7	39,722
8	40,315
9	40,909
10	41,502
11	42,094
12	42,688
13	43,281
14	43,873
15	44,465
16	45,059
17	45,652
18	46,245
19	46,838
20	47,432
21	48,023
22	48,615
23	49,209
24	49,802
25	50,395
26	50,988
27	51,581
28	52,174
29	52,765
30 or more	53,359

## Frequently Asked Questions

Will the change reduce benefits earned prior to January 1, 2014?

**No.**

For a participant whose normal retirement age will increase to age 66 or 67 as a result of this change, if the participant does not commence receipt of benefits until attainment of his/her new normal retirement age, will this change affect the monthly benefit amount payable to the participant?

**No. The monthly benefit amount would be the same under both the current and new formulas for a participant who commences benefits after attaining his/her new normal retirement age.**

Will early retirement benefits still be available at age 55?

**Yes, for vested participants who terminate covered employment after attaining age 55.**

Will this change affect the surviving spouse annuity benefit options, or survivor benefits, available under the Plan?

**No.**

Will this change affect retirees who are currently receiving benefits?

**No, unless the retiree returns to Covered Employment and becomes an active Plan participant after December 31, 2013.**

Will this change affect participants who have terminated covered employment but are vested for a future Plan benefit?

**No, unless the participant returns to Covered Employment and becomes an active Plan participant after December 31, 2013.**