

2027 CONCORDIA RETIREMENT PLAN Pension Rate Adjustment

Concordia Plan Services continues to proactively manage the Concordia Retirement Plan pension to help ensure member benefits are protected and retirees receive their promised lifelong income.

As part of the three-year rate adjustment announced, the employer contribution rate for the Traditional Option* will increase by **1% of compensation effective Jan. 1, 2027**.

Why these adjustments are needed

In 2025, the first of three planned annual increases took effect. 2027 is the third and final scheduled adjustment in the three-year funding strategy. As previously communicated, these measured adjustments are essential to help the pension achieve its targeted funded status within the next 20 years. These adjustments are driven by:

- Expectations of lower future investment returns
- Reduced cash flows due to a growing retiree population and shifting LCMS demographics

Market expectations and long-term returns

The pension's risk management framework—grounded in decades of actuarial and pension plan management experience and supported by best-in-class investment and actuarial consultants– uses quantitative modeling to project funding levels over the long term. One of the key inputs in these projections, the expected rate of return on investments, has been trending downward.

Over the past decade, investment returns have been exceptionally strong, supported by market conditions unlikely to recur soon: historically low interest rates, rising stock prices and significant government support for the economy. Looking ahead, the environment is markedly different. Interest rates are higher, stock prices remain high and expectations for global economic growth are more modest. Together, these factors contribute to an outlook for future pension investment returns that is lower than the results of recent years.

Another key driver: changing demographics

While market expectations are an important factor, another long-term driver is demographic change within the pension. As a mature pension plan, the pension now has more retirees than active workers. As a result, pension cash flows naturally decline, and the Plan must rely more on investment earnings to support benefits.



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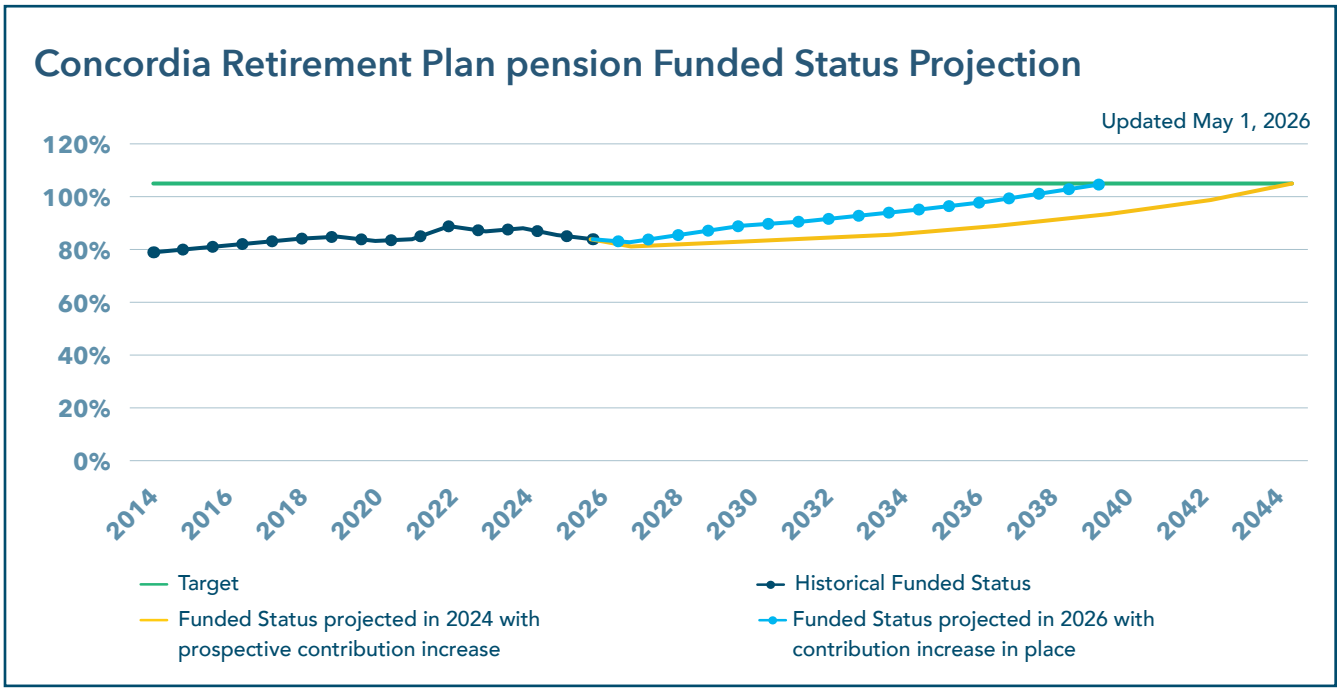


Another factor impacting cash flow is the dynamic LCMS demographics. As some ministries contract, LCMS schools are growing. The pension has increased its membership over 2% (or over 600 workers) since 2022. However, new members are increasingly lay school workers with more moderate salaries. Lower salaries equate to lower pension contributions than were previously made for the rostered workers who are retiring and beginning to draw their pension benefits. Increased longevity of our retirees also impacts cash flow.

These are all part of the normal evolution of a mature pension plan and require thoughtful, proactive funding decisions today to maintain long-term stability and protect promised benefits.

Progressing toward full funding

The projection shows how the Plan's funded status is expected to change over time. The Concordia Retirement Plan pension is financially sound and progressing toward full funding, with its market value funded status improving from approximately 85% to 90% in 2025. While recent market performance has been favorable, long-term forecasts project more moderate returns in the decades ahead. Updated projections indicate improved performance versus the baseline projections from 2024. Scheduled employer contribution increases in 2025, 2026 and 2027 helped improve funded status.



The result

This planned, phased approach keeps the pension on a clear path toward full funding, helping to ensure the Plan delivers lifelong income for current and future retirees.

**For the Account Option, the rate increase is 0.1% of salary in 2027 (year 3 of 3).*