



April 23, 2010

Dear Partners in Ministry:

Many of you are aware of the recent decision Augsburg Fortress made to terminate our defined benefit pension plan and distribute the assets to all plan participants. We deeply regret any hardship that these decisions have caused. You may also have heard that a lawsuit was filed against us this week. The complaint brought against Augsburg Fortress and other defendants in this matter is wholly without merit. We deny all claims of wrongdoing alleged in the complaint and will seek its dismissal.

I am writing this letter to help you better understand why we made these heart-wrenching decisions and why we believe the course we took was the most fair and equitable for the plan participants. It is an extremely complicated situation, but I will try to explain it as clearly as I can.



Last December we decided to terminate the defined benefit plan and distribute the assets to all plan participants. This decision was taken only after months of consultation with outside pension, actuarial and other experts, as well as a thorough pursuit of other options to close the funding deficiency. It was the final step of a long journey.

In March 2005, it had become clear to us that the Augsburg Fortress defined benefit pension plan would not be sustainable for the organization if we kept adding employee plan participants. So we froze the plan, essentially not allowing new participants into it, and implemented a defined contribution 403b retirement plan, available to all Augsburg Fortress employees. Our understanding at the time, based on our fund managers' advice, was that the defined benefit pension plan, once frozen, would be sustainable for decades.

However, from late 2007 through early 2009, the plan was hit by a "perfect storm" of factors:

- The worst equity market decline since the Great Depression
- Adjustment to mortality tables, increasing the theoretical liability because retirees are living longer than the actuaries predicted
- Low interest rates
- As the market has recovered, continued withdrawals for current retirees prohibited recovery of the pension plan assets

Office: 100 S. Fifth St., Suite 600, Minneapolis, MN 55402

Mail: P.O. Box 1209, Minneapolis, MN 55440-1209  Phone: 612.330.3300  Toll-free: 800.328.4648  Web: augsburgfortress.org

Because of the way this plan was structured decades ago, plus the operating losses being incurred by Augsburg Fortress in recent years and the impact of these "perfect storm" factors, almost 60%

of the plan participants--current and former employees not yet retired--would have received nothing! We didn't think this was fair or equitable.

We therefore chose to terminate the plan and distribute the assets across the entire pool of plan participants to address this equity issue. The distribution calculations were based on a complex set of actuarial data including years of service. In general, our guideline was that people who had worked for AF for many years would receive more than those who had worked for AF for fewer years. And, retirees would receive more than those who had not yet retired. The distributions were made in mid-March with strong encouragement for plan participants to obtain financial counsel to assist in deciding the best course of financial planning with the distribution.

I recognize that these issues are difficult for all of you, as they are for us, during a time when ELCA leaders are worried about many things. The bottom line here was that there were no good choices to be made so we made the best choice out of a number of bad options.

Should you have any questions about this or anything else related to Augsburg Fortress, please don't hesitate to contact me. And, above all, please join me in praying for all who have been affected by these difficult economic times and, in particular, those who have been impacted by these decisions.

Blessings,

Beth A. Lewis, President & CEO
Augsburg Fortress
Beth.lewis@augzburgfortress.org