



LCC Worker
Benefit Services Inc.

Joining the CAAT Pension Plan

Better outcomes
with fixed costs



June 11, 2022



WBS recommends joining and merging with the CAAT Pension Plan April 1, 2023



Present information on:

- Our de-risking journey
- Advantages of a merger
- How it will work

Present information about:

- The CAAT Pension Plan
- CAAT's DBplus plan design
- Timeline and process

Pension situation and recommendation

LCC pension de-risking journey

- 2012: LCC Defined Benefit (DB) plan closed to new entrants
- 2013: Most LCC DB members moved to Defined Contribution (DC)
- 2017: LCC DB plan buys \$22 million of annuities
- 2021: LCC DB plan buys \$34 million of annuities
- 2023: Possible merger with the CAAT Pension Plan

Current plan status

- Objective: provide an affordable and sustainable pension
- Employer contribution: 16%
- Going-concern funded ratio: 101%
- Solvency funded ratio: 94%
- Two annuity buy-ins for retirees representing 50% of total liabilities
 - Removed investment, interest rate and longevity risks
- Remaining 50% of plan assets still subject to these risks
 - Long-term sustainability challenge

2019 Strategic Planning Process recommended exploring merger possibilities

Reasons for merger

- Provides a fixed term solution to the DB solvency deficit
- Permanently secures members pension benefits
- Reintroduces a DB plan for members

Why merge with CAAT

- It is an established and growing pension organization
 - 200+ employers 75,000+ members
- It is financially strong
 - Going-concern funded ratio is 124%
 - 10-year net rate of return on investments is 11%
- It is not subject to solvency funding
- It will cost us a \$6 million top up to join which is the same as our current solvency deficit

Advantages to employers

Eliminates the risk of funding a future solvency deficit

Provides certainty of when the funding shortfall will be paid off (5 years)

Guarantees stable predictable contribution payments



Advantages to members

Gives all members a DB plan

Secures their monthly pension

Removes burden of managing investments and worry of outliving savings

Inflation protection while working and in retirement

Option to use eligible DC plan assets to purchase additional pension





Other considerations

- **LCC no longer controls the design, management and operations of the plan**
- **Employers are locked into participating in the plan for 10 years - except for closures**
- **LCC has no influence on type of investments made**

How it will work

- Retirees will receive their pension directly from the insurance company
- Past LCC Defined Benefit pension will be transferred to CAAT
 - Employers contribute 10% for the next five years to pay off \$6 million shortfall
- Active members will be enrolled and earn benefits under CAAT's DBplus provisions effective April 1, 2023
 - Employers and members contribute 6% and 4% respectively
- LCC DC plan will be wound-up
 - Transfer funds to personal accounts or to purchase additional pension with CAAT

Summary

- WBS sees merging as being beneficial to members and employers
- Members receive a secure lifetime pension with inflation and survivor protection and are not required to manage investments
- Employers have certainty on pension funding with a defined path to eliminating the pension shortfall
 - Contributions remain at 16% for the next five years, and then drop to 6%
- Better benefits are provided to members for the same cost

About CAAT, DBplus and timeline/process

The CAAT Pension Plan was established in 1967

Not-for-profit Trust

Secure benefits

Jointly-sponsored

Open to all employers



Large, well-funded and high-performing plan with a diversified asset mix

124%

Funded

10-year annualized net rate of return of

11.1%



Professional pension expertise

Over 300 staff

Aligned to delivering secure and sustainable pensions

No bonuses, no commissions

We are CAAT members too!



How does CAAT deliver value and guard against becoming underfunded?

Large reserves

Established funding policy

Long-term investment strategy

Growth diversification strategy



CAAT Plan's second plan design

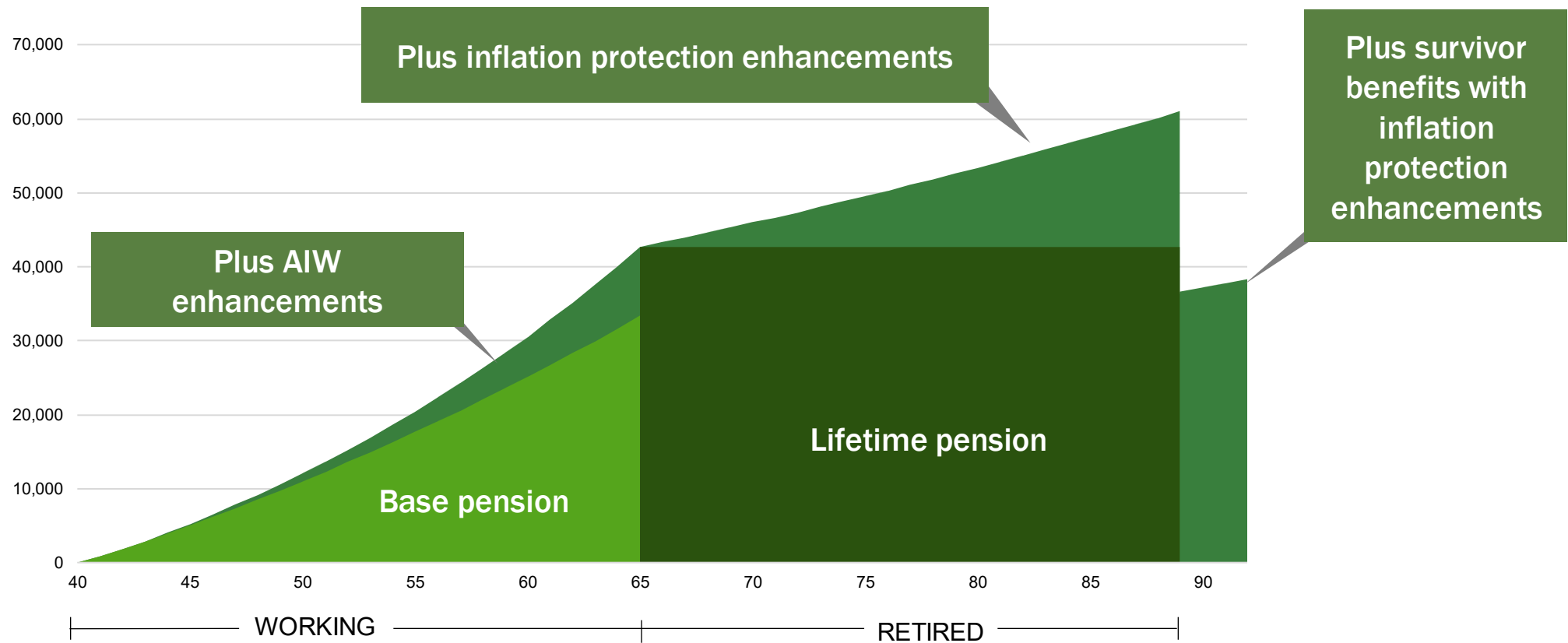
DB pension design

Fixed contribution rate

“Profit-for-member” model provides enhancements based on funding level



Lifetime secure DB pension with an upside



*AIW = Average Industrial Wage

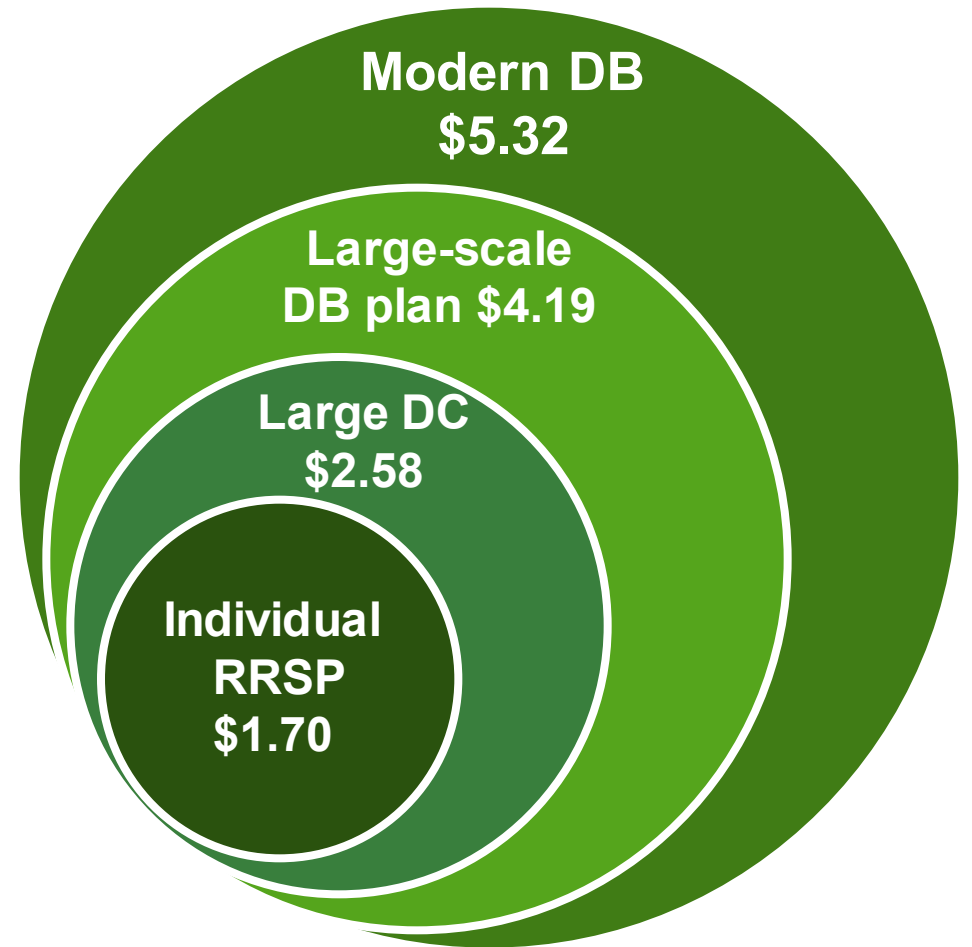
DBplus – “profit-for-member” model

The better the Plan does, the more enhancements DBplus members receive

- ✓ Level 2+: (75% CPI) Benefit enhancements while retired
- ✓ Level 3+: (100% AIW) Benefit enhancements while contributing
- ✓ **Level 4+: Better early retirement subsidies (from 5% to 3%)**
- Level 5+: Pension factor increases (from 8.5% to 9.5%)

More value per contribution dollar

The expected payout for each dollar contributed is much higher with a modern DB plan, like DBplus, compared to individual savings or even a large DC plan.

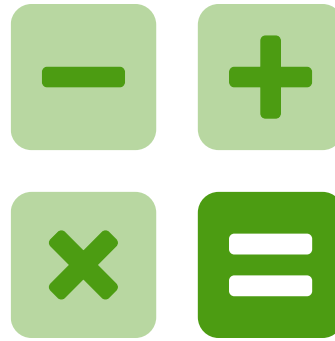


Source: 2018 study *The Value of a Good Pension*, prepared by the Healthcare of Ontario Pension Plan

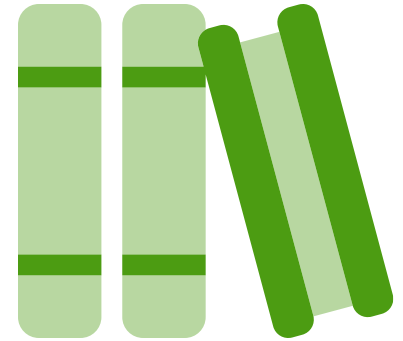
Website and online resources



CAAT Pension Plan
website



DBplus Value Tool



Member handbook



Are there financial risks for employers?

No

- No additional contributions even if funding level deteriorates
- No other costs for employers (or employees)
- Administration and investments, including all regulatory compliance, are managed by CAAT



Are employees protected?

Yes

- LCC DB accrued benefits will grow annually while working by average wage capped at 2.3%
- DBplus benefits will receive indexing enhancements
- Accrued benefits, including enhancements once granted, can never be reduced
- Pension for life, so no risk of outliving savings like with DC

A pension plan everyone can support and trust

Best of DB and DC/RRSP
– less risk, more value

Delivered by a high performing Plan



For members

Secure, predictable
lifetime benefits



For employers

The fixed cost of an
RRSP or DC

Timeline and process – for approval

- June 11th: LCC seeking delegate support of pension proposal
- June/July: Employers sign Agency Agreement authorizing LCC
- August: LCC to sign a binding agreement with CAAT
- Sep. - Nov.: CAAT to prepare member notice packages
- Dec. - Mar.: 90-day DB member vote period
 - 2/3^{rds} of actives must vote in favour
 - No more than 1/3rd of inactives can object
 - Vote results communicated in March

Timeline and process - implementation

- April 1, 2023: Join CAAT
- Later in 2023: Seek regulatory approval for DB merger & DC wind-up
- 2023/2024: DC transfers/purchases
- 2024: Past DB assets and liabilities transfer to CAAT

Questions ?

