LCC Worker Benefit Services Inc.
Caring for those who serve

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To: Congregational Treasurers and Institutional Business Managers

From: Nancy Swerhun, Pension and Benefits Manager
LCC Worker Benefit Services

Date: September 28, 2018

Re: **2019 Employer Rates for pension and benefits**

At its recent meeting, the Board of Managers (BOM) with input from their consultants determined the employer and employee rates that are necessary to fund the worker benefit programs in 2019. The overall net increase to the Group Benefit Plans is 8.3% and will be effective January 1, 2019.

Summary of Changes

This year Basic Life insurance rates increased by 12% reflecting a slightly older population. Optional Life and Optional Spouse and Optional Child Life increased by 5%. We approached several other insurers for information on their Life rates but were not able to obtain better rates (rates were either the same or were more than the rates from Manulife). Increased claim costs under the Extended Health and Dental resulted in a 10% and 6% premium increase, respectively, in these plans. Out-of-Country coverage, this year again saw a significant increase (9.9%) for active members. While the percentage increase for Out-of-Country coverage was large, the cost of this plan represents a small portion of the overall group benefit costs (about $46,104 for the entire active membership). Retiree rates for health and dental have also increased by 10% and 6%, respectively, however, retirees will be assuming a large portion of the cost of these plans as they will now pay 60% of the costs, up from 50% last year.

Rates for the Long Term Disability Plan, Pension Plan, Post-Retirement Benefits Plans, the Employee and Family Assistance Plan and Administration remain unchanged.

Our continuing goal is to ensure that our member’s pensions are secure, members receive the benefits they require; and costs to congregations, schools, and institutions and their employees are affordable. Meeting all those goals simultaneously can be challenging. Before making any decisions about increases, all alternatives are very carefully reviewed and we ensure we have gotten the best rates possible from the insurer.

Please review the following commentary for explanations of the rate changes by benefit category. *To provide further clarity, we have also included in your material two appendices, which illustrate the net dollar impact the new rates will have on a typical employer and employee that participate in our plans.*

If you have any further questions regarding the new rates, please do not hesitate to contact Ellement at 1-844-440-1045.

An Explanation of 2019 Employer Rates

Pension Plan

The 2019 contributions required to fund the pension plan will remain the same at 16.0% of payroll.

A valuation of the DB pension Plan was conducted as at December 31, 2017 (plan valuations are required to be filed with the regulator every three years.) The valuation showed the plan is 100% funded on a going concern basis. There has been a steady improvement in the going-concern position of the plan since the last full valuation was conducted as at December 31, 2014; the going-concern position at that time showed the plan was 92% funded.

The solvency valuation is an assessment of the funding and liabilities of the Plan assuming it is wound up on the date of valuation. The December 31, 2017 valuation showed the plan is 80% funded on a solvency basis with a deficit of $19.7 million. There has been a steady improvement in the solvency position of the plan since the last full valuation was conducted as at December 31, 2014; the solvency position at that time showed the plan was 73% funded. Improvements in solvency since the last valuation are the result of deficit contributions being made to the plan along with good investment experience and a modest increase in long-bond yields (interest rates).

All employers own a pro-rata share of the deficit in the defined benefit plan and all employers make supplemental contributions (currently 10% of Payroll) to pay for current and past employees who have defined benefit service. This contribution rate has been set on the assumption that employers will fund the solvency deficit on a best efforts basis. Given that employers funded the *going concern deficit* at this rate up until last year we have continued this level of funding. The contribution rate is subject to change if the plan has to start funding the Defined Benefit component of the Pension Plan on a solvency basis, although we are not expecting this. Currently, the pension regulator has not required us to fully fund the solvency deficit but it is within their power to do so. The WBS Board has worked with the pension regulators to create understanding on the implications to our employers if they are required to fully fund the solvency deficit. I think it is fair to say that the regulators have a good understanding of the financial constraints of our employers. However, should a further rate increase become necessary in 2019, employers will be given as much notice as possible in advance of the change.

Post - Retirement Benefits

As noted above, the employer 2019 contribution for post-retirement benefits will remain the same at 1.9% of payroll. In 2019, retirees will pay 60% of the total premium cost; in 2018, they paid 50%.

Group-Benefits (Life Insurance, Dependent Life, LTD, Health, Dental, EAP)*

The 2018 aggregate premium rates for Group Benefits for both active and retirees increased 8.3% compared to 2018.

There was no change to the 2019 Long-Term Disability rates which 100% are paid by employees.

Extended Health and dental rates are increasing by 10% and 6 % respectively. The rates for health and dental are based on actual claim's experience of our employees along with anticipated price increases to drug costs and dental service fee guides, based on past years' trends.

The rate for EAP remains the same as 2018 at $7.00 per month.

Administration Fees

The monthly administration expense per active member in 2019 will be $75.00, which has been the same for the last several years.

Administration services include such things as administrative costs for providing enrollment, billing, communication and customer services; data maintenance; pension calculation; government calculations and tax reporting; flex benefit enrollment system; consulting services for group benefits and Defined Contribution (DC) pension investments; DC pension plan record keeping; regulatory filing requirements and legal, accounting and auditing services.

Employee Deductions

It is important that the premium for the following benefits be entirely paid for by the employee and cannot simply be paid for by the congregation. This is a legal requirement to comply with both our plan regulations and Canada Revenue Agency taxation rules. Furthermore, any LTD premium paid by the employer will taint the whole plan, making the benefit when paid to any claimants taxable rather than non-taxable.

1. Employee required pension contributions (4%) and Optional DC pension contribution (choice of 1%, 2%, 3% or 4% of compensation)
2. Long Term Disability premiums (1.084%, 1.218% or 1.316% of compensation depending on their option choice)

Should you have any questions or require further clarification, please do not hesitate to contact Ellement at 1-844-440-1045 or email lccbenefits@ellement.ca

In His Service,

Nancy Swerhun, Pension and Benefits Manager
LCC Worker Benefit Services

* Employer premium costs are calculated as a percentage of an employee's Total Annual Compensation which includes basic salary plus utility allowance plus housing allowance. When the employer provides a residence (parsonage), the housing allowance is considered to be 30% of the basic salary.