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: November 6, 2020

Re: **2021 Employer Rates for pension and benefits**

Time for some Good News- No rate increases for 2021

With 2020 being such a difficult year, it is my pleasure to deliver some good news on the pension and benefits rates for 2021.There are no rate increases for 2021, and in fact, there is a small decrease in employer costs as the charge for Post-Retirement Benefits has decreased slightly as a result of retirees paying a slightly higher proportionate of the Post-Retirement Benefit costs. These premium rates followed a 5 % overall decrease in costs to employers as a result of the changes to the plan that were made at the beginning of 2020 and the marketing of the benefit plans. More specifically, the Flex Benefit Plan was replaced with a traditional benefit plan effective from January 1, 2020 where everyone is enrolled in the same option for health, dental and long-term disability and employer paid life insurance was based on three times annual salary for all members (previously members hired before January1, 2008 were provided with a higher employer paid life insurance amount). The move to a traditional plan was undertaken to simplify the plan structure so that it would be more cost efficient going forward, as well as, being more aligned with the organizations' needs, changing structure and smaller membership base.

Covid had an initial impact on the utilization of the plan in 2020 as some medical professionals shut down and members were reluctant to venture out to seek some types of treatment. The reduction in claims prompted us to ask Manulife for a reduction in dental premiums. This resulted in employers and members having their premiums reduced to zero during June, 2020.

Details on Rate Changes

The pension plan rate remains at 16% of payroll and the employer 2021 contribution for post-retirement benefits has been decreased from 1.9% of payroll to 1.6% of payroll. The rate for EAP remains at $7.00 per month and the monthly administration expense per active member in 2021 will be $75.00, which has been the same for many years. Administration services include such things as administrative costs for providing enrollment, billing, communication and customer services; data maintenance; pension calculations; government calculations and tax reporting; 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.

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 changes to benefit plans or rate increases, all alternatives are very carefully reviewed and we ensure we have the best rates possible from the insurer.

As we have done in the past, 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.

Further information on the Pension Plan

The 2021 contributions required to fund the pension plan will remain the same at 16.0% of payroll.

Each year we publish an Annual Report on the pension plan that can be found on the website at www.lccbenefits.ca .

A valuation of the DB pension Plan was last conducted as at December 31, 2019. The valuation showed the plan is 103% funded on a going concern basis, up from a going-concern ratio of 100% from the last completed valuation done at December 31, 2017. The solvency status of the plan also improved to 84% from 80% at the December 31, 2017 with a deficit of $15.8 million. The solvency valuation is an assessment of the funding and liabilities of the Plan assuming it is wound up on the date of valuation. With the decrease in the interest rates (long-bond yields) over the course of 2020 we expect our solvency ratio to have declined from December 31, 2019. The next required valuation is scheduled to be undertaken based on December 31, 2022 and will be completed sometime in the spring of 2023. It is our hope that by then that Covid will be behind us, economic growth will be back on track and the position of the plan, especially the solvency position will have improved.

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. 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 within the five year time frame outlined in the Pension Act, 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 were required to fully fund the solvency deficit within such a short time frame. 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 2021 or subsequent years, employers will be given as much notice as possible in advance of the change.

Employee Deductions

It is important that the premium for the following benefits be entirely paid for by the employee and not be paid 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

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

Note: 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.