LCC Worker Benefit Services Inc.
Caring for those who serve

3074 Portage Avenue, Winnipeg Manitoba, R3k 0Y2
P: 1-800-588-4226 (Toll Free)
E: info@Lutheranchurch.ca

To: Congregational Treasurers and Institutional Business Managers

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

Date: October 22, 2021

Re: **2022 Employer Rates for Pension and Benefits**

We have just concluded the Annual Renewal with Manulife of the Group Benefit Plans along with our annual review of the Pension, Employee and Family Assistance Plan and Administration costs for the coming year. By and large most rates remain the same as last year with the exception of the Extended Health and Dental Programs and the employee paid Long-Term Disability plan.

There is an increase of 3.8% for the Extended Health Care and Out-of-Country coverage and a 5% increase on the Dental Plan. There have been no increases to these plans since 2019 and during 2020 Manulife provided us with a month of premium holiday on the dental plan as a result of claims declining early in the pandemic as providers such as dentists closed their doors. Based on our review of the current claim amounts and the claiming trends, including the re-opening of almost all dental and paramedical providers, we are satisfied that the increases requested by Manulife are warranted.

Unfortunately the employee paid Long-term disability plan premiums, which Manulife significantly reduced in 2020, are being increased substantially as a result of increased claims and an aging membership. It should be noted, however, that the rates are still lower than the rates that your employees paid in 2019, prior to Manulife reducing the rates effective January 1, 2020.

The pension plan rate remains at 16% of payroll and the employer 2021 contribution for post-retirement benefits decreased from 1.9% of payroll to 1.25% of payroll in 2021. The rate for EAP remains at $7.00 per month and the monthly administration expense per active member in 2022 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.

Communication to Members and Summary

Please share the information provided in this memo with your employees so they are aware of the changes to the premium rates.

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. 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 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.

Reminder-Signing of Participation Agreements

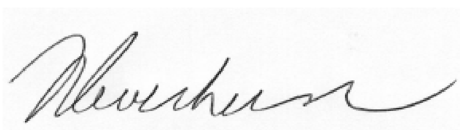
About 98% of employers have signed Participation Agreements with WBS and LCC. For the few employers who have not returned their signed agreements it is important these be signed by the end of 2021 otherwise they face the regulatory risk of no longer being able to participate in the Plan, and having to pay off their proportional share of the deficit, within the time parameters permitted under pension legislation.

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.