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 19, 2022

Re: **2023 Employer Rates for Pension and Benefits**

We have 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 Life Insurance, the Extended Health and the employee paid Long-Term Disability plan.

Life Insurance rates for 2023 will be increasing by 15% and Extended Health Care and Emergency Out-of-Country health coverage will increase by 10% as a result of increased claim amounts and to a lesser extent an aging member population. Based on our review of the current claim amounts and the claiming trends, we are satisfied that the increases requested by Manulife are warranted.

The employee paid Long-Term Disability plan premiums, which Manulife significantly reduced when the plan changed to a traditional plan from a flex plan, then increased in 2022, are again being increased for 2023 as a result of increased claims and an aging membership. Our consultants have reviewed this charge and their review agrees with this change.

The pension plan rate remains at 16% of payroll and the employer 2023 contribution for post-retirement benefits remains at 1.25% of payroll. The rate for EAP remains at $7.00 per month and the monthly administration expense per active member in 2023 remains at $75.00, a rate that has been in place 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 2023 contributions required to fund the pension plan will remain the same at 16.0% of payroll. If we obtain member consent for joining CAAT effective April 1, 2023, this rate will continue until June 30, 2024 at which time the shortfall with CAAT will be paid off and the rate will be reduced to 6%. Further information regarding this is contained in the letter dated October 19, 2022 entitled "Pension Plan Merger Progress Report" that was sent to all employers and is found on the website at www.lccbenefits.ca .

The following information, which has been widely shared with employers through newsletters, webinars and at convention over the last several months is provided as a summary for employers of **our current pre-merger financial position.**

The last actuarial valuation of the pension plan that was filed with the government regulator was at December 31, 2019. In between valuations which are required every three years, **estimates** are done in order for the Board to track the plan's funded situation. A going - concern valuation assumes the plan is ongoing and uses long-term assumptions including smoothing asset gains and losses over a five year period. The plan's estimated going-concern position at December 31, 2021 was 101.2% down from 106.8% at December 31, 2020. A solvency valuation is an assessment of the funding and liabilities of the Plan assuming it is wound up on the date of valuation and uses the market value of assets at the date of valuation. The estimated solvency ratio on the plan at December 31, 2021 was 94% with an estimated deficit of approximately $ 6 million, this was an improvement from the solvency ratio of 82% at December 31, 2020. 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.

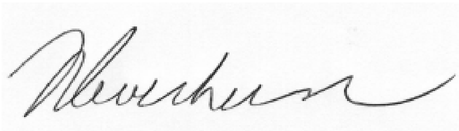
Employee Deductions

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.