## WORKER BENEFIT PLANS

# ANNUAL REPORT 2020

LUTHERAN CHURCH–CANADA PENSION PLAN AND GROUP BENEFITS
3074 PORTAGE AVENUE, WINNIPEG, MANITOBA, R3K 0Y2
1-844-440-1045 (TOLL FREE), www.lccbenefits@ellement.ca

LCC Worker Benefit Services Inc.
Caring for those who serve

This annual report is for informational purposes only and does not constitute an agreement, nor does it create or confer any contractual rights or obligations. This is only a summary of the pension and benefit activities of 2020. In the event of any inconsistency between this document and the official plan or policy, the plan or policy texts will govern.

# “THE ROCKY ROAD TO SECURING PENSIONS

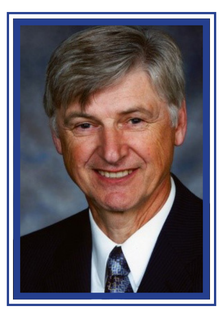
## INTRODUCTION

The COVID-19 pandemic which started in March 2020 prompted a social, economic and financial crisis that has not been seen for a long time. The early stages of the pandemic presented challenges for the LCC Pension portfolio. From mid-February to mid-March equity markets dropped by about 35% as a result of an initial panic by investors. Governments and central banks reacted to stabilize markets and support economies. Unprecedented monetary and fiscal support helped stabilize the global economy allowing the share price for many companies to bounce back quickly.

The challenges as a result of the pandemic spurred the WBS Board of Directors to put into place a number of processes to monitor its effects. This included virtual meetings with investment managers and monthly reporting from investment managers on the impact of social and economic changes on their portfolios, as well as monitoring the changes in financial markets. Despite the rocky ride, the WBS Board was prepared to ride it out, confident that our portfolio is appropriately diversified across asset classes and geographies to generate the best possible return without undue risk. As well 20% of our portfolio is annuitized and therefore softened the impact of stock market gains and losses. By the time June rolled around much of the losses that had occurred in the markets had been regained. Despite the challenges in the early part of the year the LCC Pension portfolio showed resiliency and had a return of 6.6% for 2020, exceeding the rate of return required to keep the plan sustainable over the long-term.

## NON-COLLECTIVELY BARGAINED MULTI-EMPLOYER PENSION PLAN DESIGNATION (NCBMEPP)

During the summer of 2020 the Alberta Regulator approved our registration status as a Non-Collectively Bargained Multi-Employer Pension Plan (NCBMEPP) which is how our plan has administratively and functionally operated for a number of years. The WBS Board believed it important to clarify our status to ensure all stakeholders clearly understood their rights, obligations and responsibilities. This designation was the culmination of a lot of work including getting signed Participation Agreements between employers and WBS and LCC. The new designation clarifies that each of the employers participating in the plan is responsible for funding the pension obligation of each of the church workers that serve them or served them in the past. The biggest implication under the NCBMEPP status would occur if a participating employer withdraws from the plan and is unable to pay their portion of any shortfalls for the members they employed. Those members would have their benefits based proportionally on the assets that are available. While we don’t want to see a member’s benefits reduced, we need to ensure the withdrawing employer’s obligation is not passed on to the remaining employers in the plan, which over time would make the plan unsustainable and put into jeopardy the retirement benefits for all members of the plan.



***Dieter E. Kays***

***Dwayne Cleave***

## Pension Valuation Undertaken

In consideration of our application for NCBMEPP registration, as well as the uncertainty created by the pandemic in the first quarter of 2020, the Board decided it was in the best interests of stakeholders to complete an actuarial valuation of the plan. The Board, with the uncertainty of the pandemic in mind and the resulting market volatility, wanted to put into place some certainty on the funding of the plan and the contributions that employers will have to make over the next three years. The results of the valuation showed the plan was fully funded on a going-concern basis with a funded ratio of 103% at December 31, 2019. This was up slightly from a going-concern ratio of 100% from the valuation done at December 31, 2017. The solvency status of the plan also improved to 84% at December 31, 2019, up from 80 % at the December 31, 2017, valuation.

## Signing New 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.

## HELP FOR EMPLOYERS AND MEMBERS DURING THE PANDEMIC

Recognizing the potential financial difficulties employers might face, we offered those in financial difficulties due to the pandemic a deferral of their pension and benefits premiums in May and June and those in serious financial difficulty, a waiver of their health, dental and EAP program premiums for those months. With dental offices largely closed in the first part of the pandemic we were also successful in getting Manulife to waive premiums for the month of June. With the Board's concern for the health and well-being of members during the pandemic, the psychological benefit under the Extended Health Plan with Manulife was increased from $500 to $1000 per person, per calendar year. Coverage was also expanded to include psychotherapists so members can choose either a psychologist or psychotherapist. Recognizing that some workers may still require help after using their benefits through the EAP Program and the Manulife Plan, the WBS Board established a contingency fund to provide additional support to church workers in extraordinary circumstances. This fund is accessed in consultation with the church worker's Regional Pastor. While final approval in accessing the fund rests with the WBS board, its decision will be based on the general description of the need, with the identity of the worker remaining confidential.

## PLAN DE-RISKING

The actions of governments as a result of the pandemic also led to a decline in bond yields in 2020, which are used to determine the liabilities under the plan. At December 31, 2020, the plan's actuary estimated an increase of liability under the plan of $3.4 million dollars (the estimated solvency ratio was about 82%) in comparison to 84% where the plan stood at December 31, 2019. With increasing interest rates in the first quarter of 2021 the liability in the plan dropped and increased the solvency ratio to about 92% at the end of March 2021. This significant volatility in a very short time frame exposes the vulnerability of government mandated solvency funding for measuring pension plan financial health. With solvency funding over 90% we decided to test whether it would be a good time to further annuitize a portion of our liabilities.

This resulted in the WBS Board completing another "annuity buy-in." (An "annuity buy-in" had previously been completed in 2017 with Canada Life based on 20% of the plan's liabilities.) This second "buy-in" with RBC, means that 50% of the total liabilities of the plan are locked in and protected from future volatility due to longevity (members living longer than expected), interest rate risk (small changes in interest rate can increase or decrease liabilities, which in turn can impact contribution requirements) and asset volatility risk (markets suddenly dropping). Transferring the risk to an insurer can help stabilize cash flows and contribution requirements.

The buy-in involves paying some of the pension fund assets to the insurer in exchange for a single annuity contract issued to the pension fund. Each month the insurer pays all the pension payments for pensioners covered by the policy, to the pension fund. The value of the annuity contract is held on the balance sheet as an asset and plan members continue to receive pension payments from the pension fund. The insurer assumes the longevity, interest rate and asset volatility risk.

The decision to undertake an "annuity buy-in" has been contemplated for some time, but the Board was waiting for the opportune moment where markets were doing well combined with increases in interest rates, raising the solvency ratio of the plan above 90%. Our actuary estimates that based on this recent buy–in, our solvency ratio as of June 30 is 93%.

## LOOKING TO THE FUTURE

Reducing and eliminating risk in the pension plan is a priority of the WBS Board in order to permanently secure member's benefits. Other de-risking strategies are also being explored including a suggestion (coming from the last strategic planning meeting held with employers and members) to explore possible partnerships with other plans to leverage expertise and economies of scale. Further information on these items will be communicated should such an arrangement prove beneficial and feasible for members and employers.

With the rapid progress in vaccine development and the beginning of its distribution, the year 2020 ended on a stronger note as markets anticipated a return to a more normal economy in 2021. Despite the positive outlook, we remain vigilant in monitoring the Plan's portfolio along with the programs we offer and their funding. As we have noted many times previously, we invest for long-term growth and try to ride out short-term hiccups, which is not always easy.

We continue to focus on providing competitive and valued programs to employers and members and deliver them cost-effectively. No changes in the programs are planned at this time, however, as noted above, we are exploring options to ensure sustainability. We will consult with employers and members regarding any major changes.

## NEW MEMBERS ON THE BOARD

The WBS Board also welcomed Rev. Dr. John Kreutzwieser to the Board in September 2020. John has served Lutheran Church–Canada as a parish pastor for 38 years, most recently at Emmanuel in Moose Jaw, Saskatchewan, until he retired. John has served on the District Boards of Directors and on the Synodical Board of Directors. He achieved a Doctorate in Worship Studies from the Robert E. Webber Institute for Worship Studies, Florida in 2006.

## CONCLUSION

The last twelve months have indeed been a time of great volatility and high stress for the all stakeholders of the plan—but especially for the board and senior staff as we worked to navigate the challenges. With the blessing of our Lord, it has also been a time of great progress in ensuring the sustainability of the plan and its ability to provide the necessary benefits for members. We praise God for His goodness. We would also like to thank all the employers for their continued support of the Worker Benefit Plans and all members for their understanding as we continue to navigate through some very turbulent economic times. The worker benefit plans are an essential part of ensuring that our church workers have health and retirement benefits that enable them to concentrate on doing the ministry the Lord has called them to do. Their leadership is an important component that God uses to facilitate ministry throughout our church and proclaim the good news of Jesus to the communities in which we live. It is a privilege for WBS to be part of supporting this mission!

In His Service,

Dr. Dieter E. Kays, Chair,
LCC Worker Benefits Services Inc.

Dwayne Cleave.

Dwayne Cleave,
Executive Director,
LCC Worker Benefit Services Inc.

## INSIDE

## Introduction

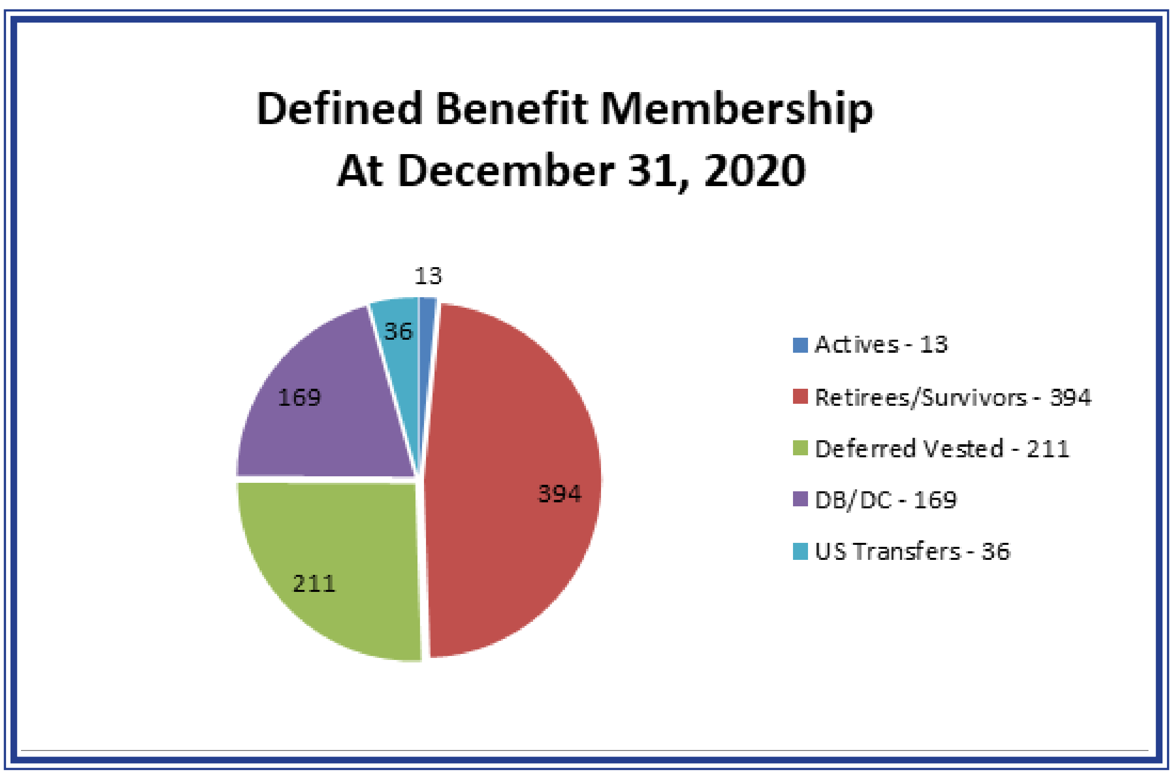
The membership in the Defined Benefit Plan (DB) is made up of a small group of active members who met the age and service requirements at the time the decision was made to move to a Defined Contribution Pension Plan (Active DB). The membership also includes those members who were moved into the DC plan for their future retirement benefit (the DB/DC members). While the DB/DC members no longer accrue benefits under the DB plan after December 31, 2012, they will receive a benefit for their service prior to this date. Membership information noted below reflects the member's plan and where they currently earn benefits. A DB/DC member currently earns benefits in the DC plan. (Members hired in 2012 and later are enrolled in the defined contribution pension plan.)

The Lutheran Church–Canada Pension Plan is available to employees of participating congregations, schools and other employers whose participation has been approved by Lutheran Church–Canada.

The Plan is registered in the Province of Alberta and with Canada Revenue Agency as No.0356610.

# DEFINED BENEFIT PLAN

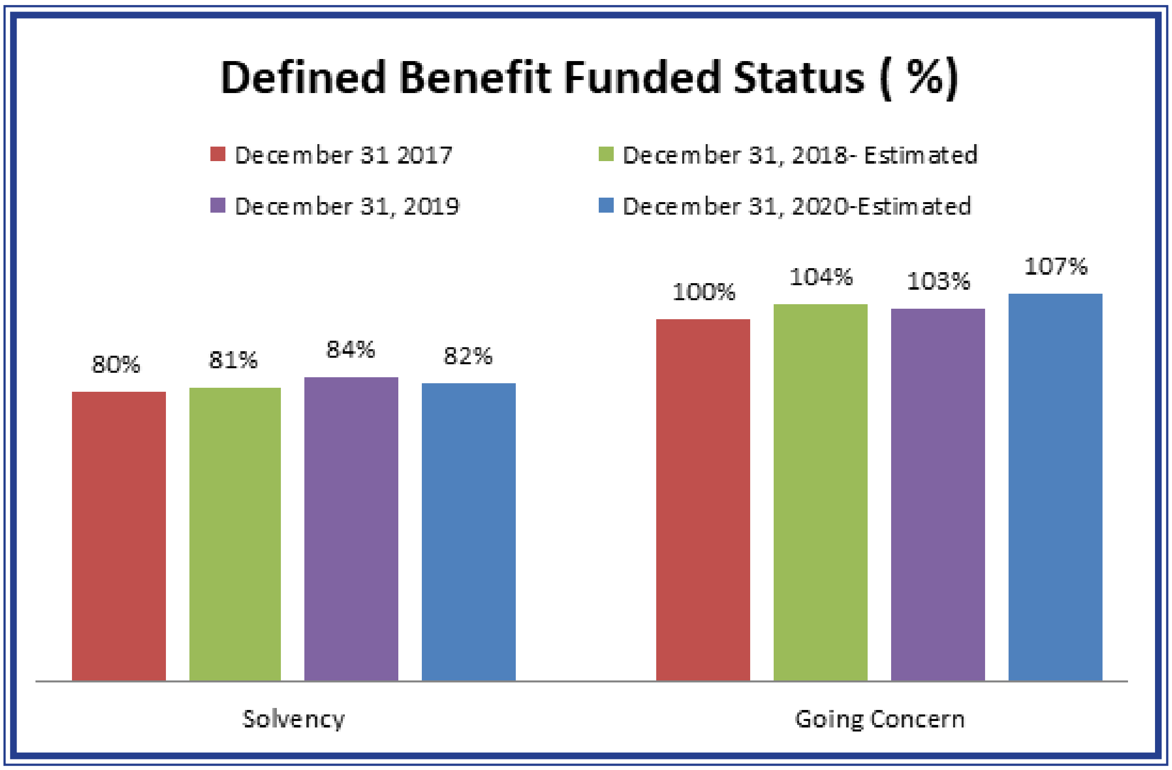
## Membership



## DB Active Membership Changes

| | |
|---|---|
| Active Members January 1, 2020 | 16 |
| US Transfers | 0 |
| Retirements | (3) |
| Death | 0 |
| Deferred | 0 |
| Members at December 31, 2020 | 13 |

## Funded Status

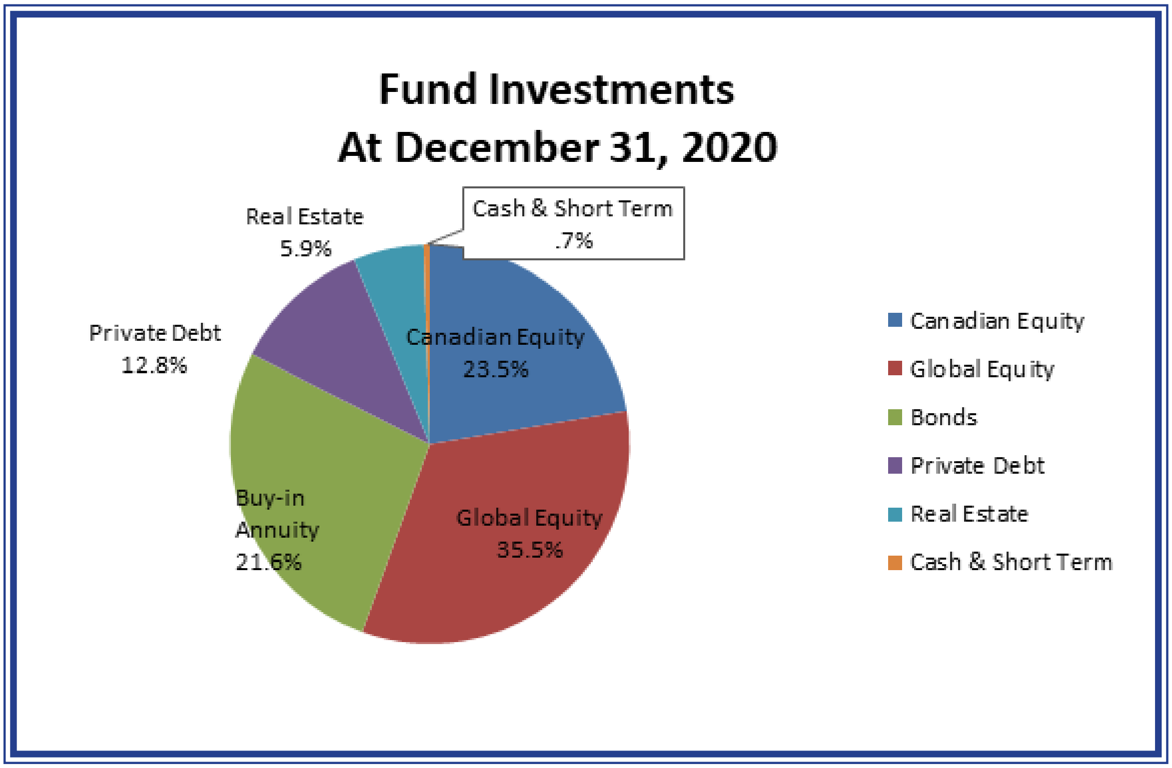



## Funding Terminology – What Does it Mean?

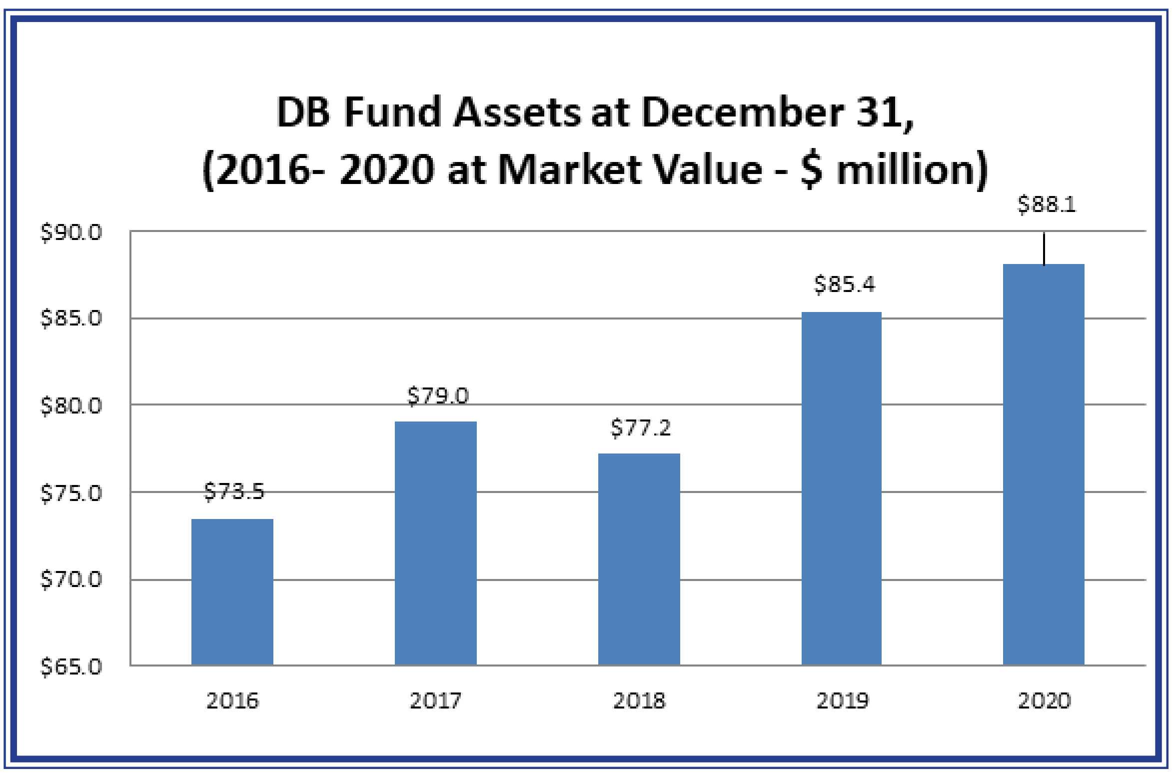
**Going-Concern Basis:** The going concern valuation values the present value of member's future benefits for credited service up to the date of the valuation and is based on assumptions that the pension plan will continue in operation indefinitely. Economic assumptions such as future salary increases, investment return and probablilities of retirement and death are set with a long-term view.

**Solvency Basis:** The solvency valuation assumes that the plan is terminated and wound up as of the valuation date. The solvency liabilities are those that need to be paid out immediately both to retired members and to those currently employed. The value of these liabilities is directly affected by the level of bond yields as of the valuation date. Decreases in bond yields have the effect of increasing the liability and conversely increases in yields decrease liabilities.

## Fund Investments




## Fund Assets



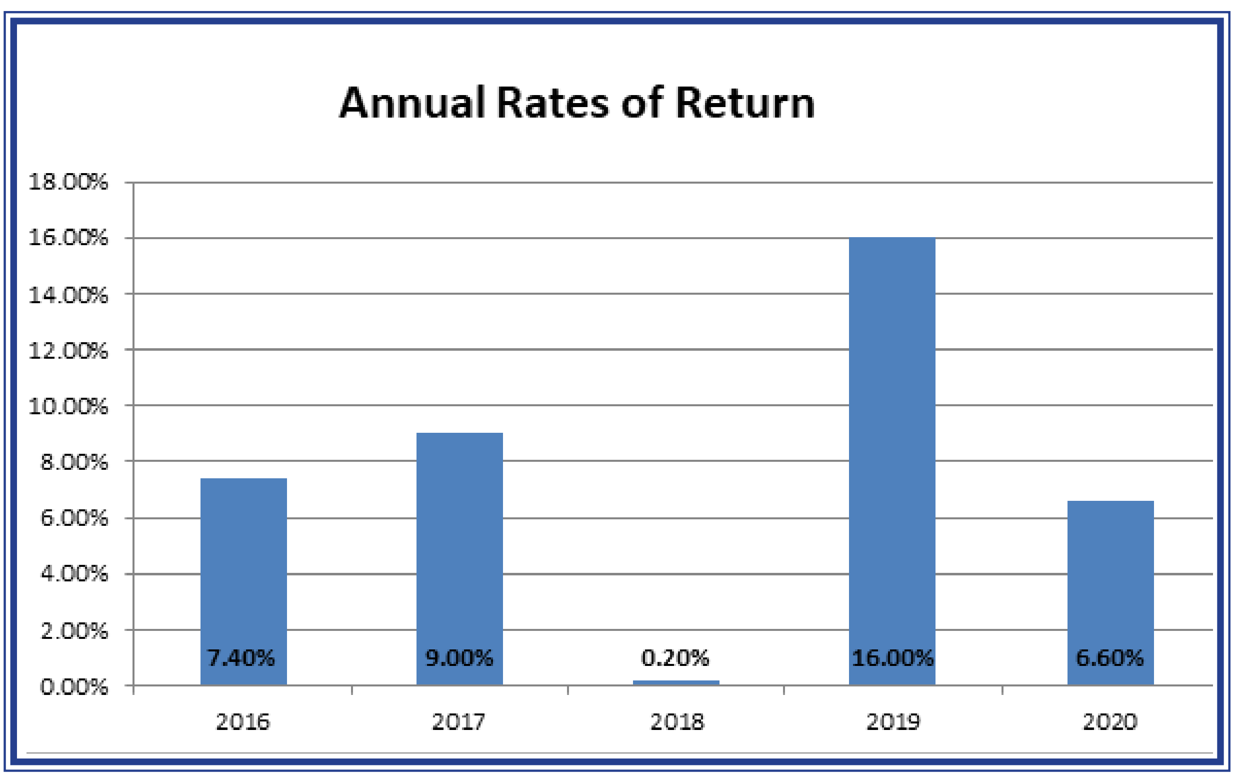
## DB Financial Position (000's)

| | December 31, 2020 ($) | December 31, 2019 Estimated ($) |
|---|---|---|
| **Going Concern Basis** | | |
| Actuarial Value of Assets | $ 85,085,236 | $ 81,853,654 |
| Actuarial Liability | 79,703,950 | 79,330,233 |
| Actuarial Surplus (unfunded actuarial liability) | $ 5,381,286 | $ 2,523,421 |
| Going-concern funded ratio | 107% | 103% |
| **Solvency Basis** | | |
| Solvency value of assets | $ 87,613,318 | $ 85,133,592 |
| Solvency liability | 106,824,376 | 100,943,354 |
| Solvency surplus (deficit) | $ (19,211,058) | $ (15,809,762) |
| Solvency funded ratio | 82% | 84% |

## DB Annual Rate of Return

The WBS Board of Directors regularly monitors and reviews the performance of each manager with comparisons to benchmark returns, and the fund objectives. In addition, the WBS Board periodically conducts a review of the fund's asset allocation to ensure the asset allocation is the most appropriate one for meeting the obligations of the DB plan and the long-term growth of the fund. There were no changes to the asset allocation in 2020 and there were no changes to the investment managers.

Annual rates of return for the fund over the last five years are shown in the graph below:



## Lutheran Church–Canada Defined Benefit Pension Plan Statement of Changes in Net Assets Available for Benefits

| | 2020 | 2019 |
|---|---|---|
| **Net assets available for benefits, beginning of year** | **$ 85,383,592** | **$ 77,193,468** |
| **Increase in assets:** | | |
| Contributions - employer | 1,936,086 | 2,344,520 |
| Contributions - employee | 43,375 | 50,525 |
| Investment income | 1,771,034 | 2,082,161 |
| Realized investment gains net of realized losses | 839,825 | 664,452 |
| Unrealized investment gains, net of unrealized losses | 1,608,678 | 6,768,645 |
| Change in fair market value of annuity | 1,409,474 | 1,448,494 |
| **Decrease in assets:** | | |
| Unrealized investment losses, net of unrealized gains | - | - |
| Realized investment losses, net of realized gains | - | - |
| Pension benefits paid | 3,774,502 | 3,644,114 |
| Lump-sum transfers | 691,588 | 904,410 |
| Consulting fees | 112,671 | 94,928 |
| Investment and custodial fees | 282,687 | 269,921 |
| Administration expenses | 267,300 | 255,300 |
| **Net assets available for benefits, end of year** | **$ 87,863,316** | **$ 85,383,593** |

**The full DB financial statements are available on the WBP website: www.lccbenefits.ca.**

## Description of the DB Plan

The following provides a general description of the DB Plan. Further details on the Plan are provided on the WBP website at www.lccbenefits.ca.

### General

The plan was established on January 1, 1989. Effective January 1 2013, most active members, with the exception of a small group of older, longer service members were transferred into the Defined Contribution Pension plan (DC). While the members who were transferred (the DB/DC members) will no longer accrue benefits under the DB Plan after December 31, 2012, they will receive a benefit for their service prior to this date. New hires after December 31, 2011, participate in the DC plan. The older, longer service employees that were left accruing benefits in the DB plan are required to make contributions of 4% of earnings to the DB plan. The pension funds are held in trust with CIBC Mellon.

### Funding Policy

Lutheran Church–Canada and other Participating Employers in the Plan make contributions to the trust fund based on an actuarial valuation of the Plan that is conducted at least every three years. An actuarial valuation provides information on both the going-concern and solvency positions of the Plan. The last actuarial valuation was done at December 31, 2019. The WBS Board also has the actuary do an annual valuation estimate in the years between actuarial valuations to ensure they have an up-to-date understanding of the financial position of the plan. These estimates are not filed with the pension regulator. The plan's funded status at December 31, 2020 showed a funded ratio of 107% on a going-concern basis. The valuation also showed that the solvency funding ratio of the plan had decreased slightly from 84% at the December 31, 2019 valuation to 84% as a result of a small change in interest rates. Normally, we would need to make special solvency contributions, however, the government has extended a great deal of understanding to us and has not required us to make full solvency deficiency payments. The solvency deficiency is being funded on a best efforts basis. While the government is not committed to anything specific, their aim is the same as ours: to ensure members receive their full defined benefit pension.

The going concern valuation values the present value of member's future benefits for credited service up to the date of the valuation. Measurement of the funded status on a going concern basis is based on assumptions that the pension plan will continue in operation indefinitely. As a result, the economic assumptions used to measure the pension obligations are set with a long-term view and include margins for adverse deviations. Assumptions are made for future salary increases and probabilities of retirement, termination and death. This valuation uses an asset smoothing method to value the plan assets. This has the effect of averaging periods of underperformance with periods of outperformance over a five-year period.

The solvency position of a pension plan represents the funded status of the pension plan assuming the plan was to be terminated or be wound-up at that date and all members' benefits settled. The market value of the plan assets, less an allowance for expected plan wind-up expenses, is compared to the actuarial present value of members' accrued benefits at the valuation date. The members' accrued benefits are determined in accordance with the plan formulae, based upon years of service and actual pensionable earnings up to the valuation date (i.e., no allowance is made for future earnings escalation or future service accruals). To determine the actuarial present value of these accrued benefits, members not yet eligible to retire are assumed to receive a commuted value (the lump-sum value of future payments), whereas annuities are assumed to be purchased from an insurance company for members who are retired or eligible to retire. Economic assumptions used in the solvency valuation reflect interest rates in effect for settling members' benefits at the valuation date and are directly correlated to Government of Canada bond rates.

## Plan Formula

Members accrue benefits based on 1.25% of Final Average Earnings (average of the highest 60 consecutive months during the last 240 months of credited service) up to the Average Year's Maximum Pensionable Earnings (AMPE) (for the year of retirement and the two previous years) as set by Canada Pension Plan, plus 1.6% of Final Average Earnings in excess of the AMPE, multiplied by credited years of service.

## Normal, Early Retirement and Postponed Retirement

Normal Retirement is the first of the month coincident with or immediately following the attainment of age 65.

A member can retire as early as age 55. Members who are at least age 62 and whose age plus years of credited service equals 85 points or more at the time of their termination of employment, can retire without reduction in their pension. For employees transferred to the DC plan effective January 1, 2013, credited service includes time in both the DB and DC plan, only for purposes of calculating eligibility for an unreduced pension. Members who retire at or after age 60 will have their pension reduced by .55% for each month that their early retirement date precedes age 65. A member who retires between age 55 and 60 will have their pension benefit reduced by 33% plus an additional .27% for each month that their early retirement precedes the first of the month following their 60th birthday.

Members may continue to accrue benefits up to the end of the year in which they turn 71 years of age, at which time they must commence to receive their pension.

## Vesting and Termination

All active members in the DB Plan including current DB/DC members are vested; meaning they own the benefit provided by the plan sponsors' contributions. Upon termination, members under age 55 may transfer the value of their benefits to an eligible retirement vehicle; however, such transfers are subject to locking-in provisions (i.e., an amount that cannot be received in cash). Alternatively, benefits may remain in the Pension Plan and the former member may commence a monthly pension as early as age 55.

## Death Benefits

If a member dies before retirement, a benefit is paid to the surviving spouse or beneficiary if there is no surviving spouse. If a member's death occurs after retirement, the benefit paid to the surviving spouse is paid according to the form of pension chosen at the time of retirement.

# DEFINED CONTRIBUTION PLAN

## Introduction

The Defined Contribution Plan (DC Plan) has gone through a number of changes since its inception to become the primary retirement savings plan for most Plan members following the pension changes that became effective in 2012 and 2013. As its name implies, what is known under the Defined Contribution Plan is the amount of money that goes into each member's account. This is defined as a percentage of payroll. What is unknown is the amount of pension that the contributions will produce when the member retires. That will depend on when the member retires, the member's investment returns, the amount of any optional contributions the member makes and the interest rates in effect if an annuity (an ongoing pension income) is purchased at retirement. Members have access to a number of options for drawing a pension income when they retire and are not required to purchase an annuity. Members decide how to invest both the employer and member contributions from a number of investment options, with a range of risk and return potentials.

## 2020 Summary Financial Statement

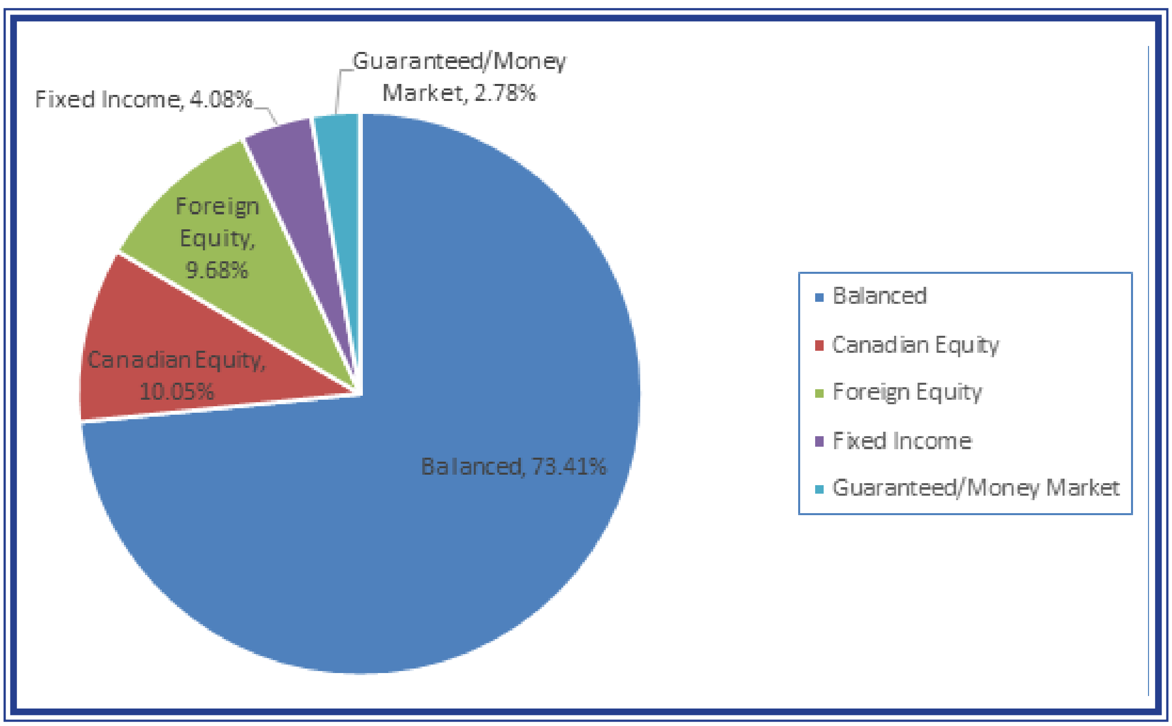
| | 2020 | 2019 |
|---|---|---|
| **Change in Assets** | **$** | **$** |
| Assets beginning of the year | **$ 21,398,775** | **$ 18,408,221** |
| Employee contributions | 925,282 | 959,154 |
| Employer contributions | 1,062,345 | 1,127,360 |
| Investment income (loss) | 1,802,675 | 2,806,356 |
| Transfers to Financial Institutions | (1,083,128) | (1,929,286) |
| Transfers In from other plans | 0 | 26,972 |
| Increase (decrease in assets) | 2,707,174 | 2,990,554 |
| **Assets, end of year** | **$ 24,105,949** | **$ 21,398,775** |

## Fund Asset Mix

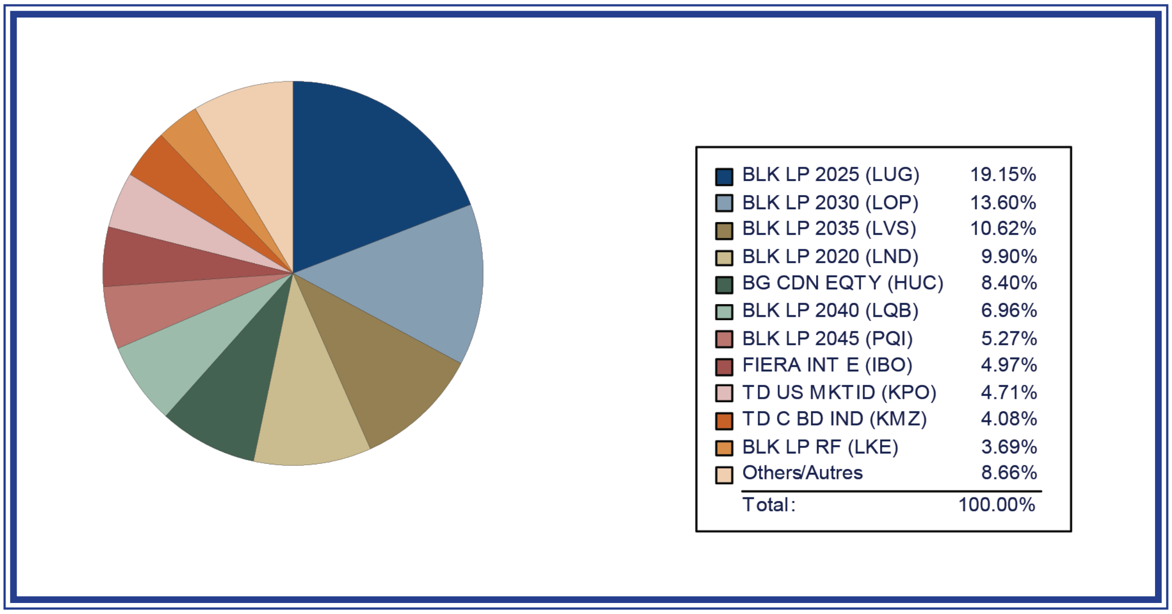
The following charts illustrate the DC Plan asset mix at December 31, 2020 both by asset category and by funds in which members allocated their assets.

| Asset Category | Month-end Closing Balances $ | % of Investment |
|---|---|---|
| Balanced | $ 17,696,019 | 73.41 |
| Canadian Equity | 2,423,361 | 10.05 |
| Fixed Income | 984,063 | 4.08 |
| Foreign Equity | 2,332,425 | 9.68 |
| Guaranteed/Money Market | 670,081 | 2.78 |
| **Total** | **$ 24,105,949** | **100.00 %** |

## By Asset Category



## By Fund




*The top 11 items are represented in the graph. All other items are grouped under 'Others/Autres,' if applicable.*

## Rates of Return*

The WBS Board of Directors monitors the performance of the DC Investment Option on a regular basis. There were no fund or investment manager changes in 2020.

| | 2020 (%) | 2019 (%) |
|---|---|---|
| **Target Date Funds (73.41%)** | | |
| • BlackRock Life Path Retirement Index | 9.00 | 12.15 |
| • BlackRock Life Path Index 2020 | 9.02 | 12.41 |
| • BlackRock Life Path Index 2025 | 8.78 | 14.22 |
| • BlackRock Life Path Index 2030 | 8.81 | 15.84 |
| • BlackRock Life Path Index 2035 | 8.89 | 17.38 |
| • BlackRock Life Path Index 2040 | 8.85 | 18.84 |
| • BlackRock Life Path Index 2045 | 8.88 | 20.08 |
| • BlackRock Life Path Index 2050 | 9.04 | 20.63 |
| • BlackRock Life Path Index 2055 | 9.09 | 20.69 |
| • Black Rock Life Path Index 2060 | 9.16 | 20.69 |
| **Canadian Equity (10.05%)** | | |
| • Beutel Goodman Canadian Equity | 3.01 | 14.60 |
| • CC&L Canadian Q Growth | 8.0 | 24.32 |
| **Fixed Income (4.08%)** | | |
| • TDAM Canadian Bond Index | 8.43 | 6.68 |
| **Foreign Equity (9.68%)** | | |
| • TDAM US Market Index | 15.95 | 24.37 |
| • Fierra International Equity | 17.90 | 25.58 |
| **Money Market (2.78%)** | | |
| • Sun Life Money Market | .79 | 1.81 |

*Returns stated are before investment management fees and include the reinvestment of all distributions. They do not take into account any administration charges or taxes payable. Past returns may not be repeated.

## DC Membership Changes

| | |
|---|---|
| Members January 1, 2020 | 460 |
| New members in 2020 | 22 |
| Terminations | (23) |
| Death Claims | (0) |
| Members at December 31, 2020 | 459 |

# Description of the DC Plan

The following provides a general description of the DC Plan. Further details on the Plan are provided on the WBP website at www.lccbenefits.ca.

## General

Effective January 1, 2013 DB members who were under age 55 or who were over age 55 and whose age plus service was less than 80 points were transferred to the DC plan. Effective from January 1, 2012 onwards newly hired members became members of the Defined Contribution Plan (DC). The DC Plan provides for a 4% required contribution from members and a 6% employer contribution. In addition, members including members of the Defined Benefit (DB) plan may make optional contributions of up to 4% of pay.

All pension assets are held in trust with Sun Life Financial.

## Funding

The DC plan provides an opportunity for employees to tax-effectively build their retirement income. Employers contribute 6% of pay into the DC plan for DC or DC/DB plan members. DC or DC/DB plan members make required contribution of 4% of pay. In addition, members including members of the Defined Benefit (DB) plan may make optional contributions of up to 4% of pay.

Members choose how to invest contributions made to the DC Plan from a suite of investment options with varying risk and return potential. The investment options are managed by professional fund managers selected by the WBS Board of Directors. Fund managers are selected from the investment funds available from the record keeper, Sun Life Financial, based on a number of criteria, including investment approach, organizational strengths, historical performance and service capabilities. The DC Plan currently provides seven investment options managed by six fund managers. Sun Life is responsible for the day-to-day management and administration of member accounts. Members may change the investment directions of current contributions or move past contributions into different funds, at any time.

## Vesting and Termination/ Retirement

Beginning in 2015, active plan members are vested immediately, meaning they own any employer contributions immediately. Employer and employee contributions are also locked-in (required to be ultimately used to provide a retirement income). Withdrawals prior to termination are not permitted. At termination or retirement members may transfer their funds from the Plan to a financial institution of their choosing.

## Death Benefits

If a member dies before retirement, the member's account balance is transferred to an eligible retirement vehicle of the surviving spouse. Such transfers are subject to locking–in provisions (i.e. an amount that cannot be received in cash). If there is no surviving spouse, the member's account is paid in a lump sum to the member's beneficiary or, if not named, to the estate of the member.

# GOVERNANCE AND ADMINISTRATION

The LCC Worker Benefit Services Inc. (WBS) was established effective January 1, 2018 and has its own Board of Directors appointed by the Board of Directors of LCC. It is responsible for the strategy, funding, policies, administration and communication of the defined benefit and defined contribution plans. Once the deficit for the Defined Benefit Plan is paid, the WBS Board of Directors will have complete autonomy in managing the plan.  Until then the LCC Board of Directors will need to ratify major decisions made by the WBS, such as plan design changes, until the solvency deficit is fully funded. Since there is no deficit in the Group Benefits Plan the WBS Board also has autonomy in managing this area.

The governance objectives of the Plans are to be in compliance with all applicable laws, to ensure risks under the plan are properly managed, to be able to demonstrate prudent oversight of the Plans to stakeholders and to ensure the Plans are funded and administered so as to meet its obligations to members and beneficiaries. To this end, the WBS Board of conducted a comprehensive review of its governance policy in 2020. The purpose of this policy is to guide the various participants in the governance framework of the Plans. This framework is a control mechanism for good decision making, proper and timely execution of responsibilities, clear accountability and regular review and assessment of all participants.

Under the terms of the Lutheran Church–Canada Pension Plan Administrative Services and Agency Agreement, the WBS Board of Directors provides a written report to the LCC Board of Directors annually outlining the work of the WBS Board in accordance with terms of the agreement including the completion of an annual Pension Plan Compliance checklist.

In accordance with Employment Pension Plans Act of Alberta the WBS Board also completes an annual assessment of its operations. This report is not filed with the Regulator but must be provided to the Regulator if asked for it.

# WBS BOARD OF DIRECTORS (WBS BOD)

The WBS BOD has general oversight responsibilities for the Plans and in that capacity oversees all aspects of the Plans' operations including the selection or termination of investment manager(s), trustee(s), custodian(s), third party administrator(s), actuary and other advisors, sets pension related policies, determines funding, contribution and actuarial strategy, and ensures the plans are in compliance with all legislation. The WBS BOD considers the best interests of all present and future plan members, pensioners and beneficiaries. Day-to-day management of the Plans is delegated to the Executive-Director, Worker Benefit Plans (WBP).

The WBS BOD consists of up to seven individuals who are appointed by the LCC Board of Directors to serve a three-year term with a maximum of three successive three-year terms. Pastor John Kreutzwieser joined the Board  in June 2020, bringing the total WBS Board members to six.

The WBS BOD meets regularly at least three times per year and more often, if required. During 2020 The WBS Board met five times. All members attended all the meetings.

## 2020 Board Members

**Dieter E. Kays, ICD.D, PhD.**
**Chairperson, WBS Board of Directors**
**Kitchener, Ontario**

Dr. Kays is a certified corporate director serving on several boards including the Ombudservice for the Canadian Life and Health Insurance (OLHI). Dr. Kays is past chair of St. Mary's Hospital in Kitchener and a past president of the Kitchener Conestoga Rotary Club, where he was awarded a Paul Harris Fellow. He is the retired President and Chief Executive Officer of Faith Life Financial, an organization providing insurance and investment programs to Canadian families. Prior to accepting this role, Dieter was Chief Executive Officer of Lutherwood, a Canadian social service agency serving more than 10,000 clients annually. He was also the President of the Lutherwood Foundation and has served as a Director of Lutheran Life Insurance Society of Canada and its investment committee, the Canadian Life and Health Insurance Association (CLHIA) and FI Capital. He also served two terms as a municipal councillor.

Dr. Kays has a Master of Divinity degree from Concordia Seminary, St. Louis, Missouri, and a Master of Social Work. In 1993, he earned his doctorate, specializing in organizational leadership at Waterloo's Wilfrid Laurier University. He has done post graduate work at Stanford University, the Wharton School of Business, and most recently the Rotman Business School – U of T.

Dr. Kays and his wife, Rosalind, have three children and nine grandchildren. They are members of Holy Cross Lutheran Church (LCC) in Kitchener.

**Dwayne Cleave, CIM* [1]**
**Executive Director, WBP**
**Winnipeg, Manitoba**

Dwayne has served in the office of treasurer of Lutheran Church–Canada since May 2002. In March 2010 he was also appointed as the Executive Director of the LCC Worker Benefit Plans. Prior to his employment with the Church, Dwayne's 25-year business career included positions as an Investment Consultant with CIBC Wood Gundy and as a Regional Manager for the Brick Warehouse Corporation.

In addition to his business experience, Dwayne has received formal training through the Certified General Accountant Program (CGA), Certified Employee Benefit Specialist Program (CEBS) and the Canadian Securities Institute (CSI). Dwayne completed a four-year certificate course in management through the University Of Manitoba continuing education program in 1994.

Dwayne, his wife Bonita and their two (now adult) children have been members of Saint James Lutheran Church in Winnipeg since 1989.

** Canadian Institute of Management*

**Ron Walter**
**Saskatoon, Saskatchewan**

Ron has a background as a senior administrator, primarily in the education sector including a role as the Director of Provincial Services, Saskatchewan Abilities Council and the Business Manager for the Prairie Spirit School Division. He currently provides consulting services to a number of Saskatchewan school divisions. He is a board director for Faith Life Financial in Waterloo, Ontario, and sits on the Saskatchewan Municipal Board to hear property assessment and planning development appeals. Ron is very active in his home church, St. Paul's Lutheran in Saskatoon, holding numerous leadership positions. He also has been active in community service work including being a Director for Easter Seals Canada and the board chair for the Saskatchewan Prevention Institute. He holds a Bachelor of Commerce (accounting major) from the University of Saskatchewan (Saskatoon).

Ron is married to Elaine and they have two adult children and three grandchildren. He enjoys music, photography, reading, racquetball, squash, travelling, golf and spending time with family.

**Ellen Nygaard**
**Edmonton, Alberta**

Ellen Nygaard was born in Drumheller, Alberta, raised on a farm, and has spent most of her life in the province. She has a BA in English and an MBA from the University of Alberta and worked across Canada in her first career as a journalist. She worked as a manager for the Government of Alberta for 26 years, occupying increasingly responsible regulatory and policy positions, including the Deputy Superintendent of Pensions and most recently as Executive Director of Pension Policy for Alberta Finance.

Ellen retired in 2014, and since then has become a member of a number of pension boards. She has been involved as a volunteer and board member of several community organizations over the years, including the United Way and recreational and cultural organizations. She currently volunteers as an English tutor for new Canadians at the Edmonton Mennonite Centre for Newcomers. She and her husband live in Edmonton, where they raised their two children.

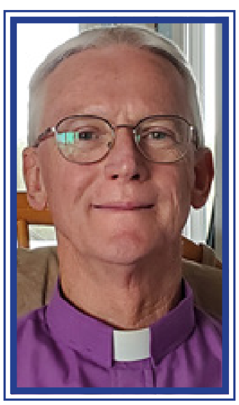
**Stan Lee**
**Vancouver, British Columbia**

Stan is a Chartered Professional Accountant; he owns and operates an accountancy business in Vancouver, which serves over 1,000 individual and 360 corporate clients. Before opening his own practice, he worked for nine years for a major accounting firm in Burnaby. He also sits on the Board of Directors for six private enterprise companies. He received his Bachelor of Commerce degree in 1983 from the University of British Columbia in Vancouver, and his Chartered Accountant designation in 1986 from the Institute of Chartered Accountants of B.C.

Stan served on the Department of Stewardship and Finance for the ABC District, as well as serving as the Board Chair for the Audit Committee. Stan also served on the Board of Directors for Faith Life Financial from 1994 to 2012. In that capacity he held a number of roles including Board Vice-Chair, Chair of the Audit, Risk, Compliance and Finance Committee and Chair of the Products and Services Committee, and was a member of the Executive Committee and Human Resources Committee.

Active in his church community, Mr. Lee is currently Chairman of his home congregation, Killarney Community Lutheran Church in Vancouver. In addition he is Chairman of the Redevelopment Committee for his church, which is redeveloping the church's site to build 100 affordable housing units. He also provides occasional simultaneous translation (into English from Cantonese) during his congregation's Sunday services.

Mr. Lee and his wife, Lisa, are members of top-rated Faith Life Financial Chapter 0244, which Mr. Lee helped establish in 1995. He previously served as chapter president. The Lees have two daughters.



**Rev. Dr. John Kreutzwieser[1]**
**Moose Jaw, Saskatchewan**

John has served Lutheran Church–Canada as a parish pastor for 38 years. He started ministry at Zion in Plumas, Manitoba, then at Christ in Sarnia, Ontario, and finally at Emmanuel in Moose Jaw, Saskatchewan. John has served on District Boards of Directors and on the Synodical Board of Directors. He achieved a Doctorate in Worship Studies from The Robert E. Webber Institute for Worship Studies, Florida in 2006.

John is retired and lives in Moose Jaw, Saskatchewan, with his wife Patricia. They have a two-year-old granddaughter and another grandchild to be born in the summer of 2021 to Brandon and Paige Tenbult. Their son Joel lives in Osaka, Japan, and works as a programmer for a gaming company in Kyoto. They still attend Emmanuel Lutheran Church in Moose Jaw. You will usually find John on the golf course most mornings in the spring, summer, and fall.

*[1]Dwayne Cleave and John Kreutzwieser are members of the LCC Pension Plan. Their membership does not constitute a conflict of interest for purposes of participating on the WBS Board.*

## Advisors and Service Providers

| | |
|---|---|
| Blakes, Cassels & Graydon LLP | Legal Counsel |
| CIBC Mellon GSS | DB Trustee, Custodian and Pension Payments |
| KPMG | Auditor |
| Sun Life Financial | DC Record Keeper/Custodian |
| Ellement | Actuary, Pension and Investment Consultants, Administrator |
| Greystone Real Estate | DB Investment Manager |
| Romspen Mortgages | DB Investment Manager |
| Mawer | DB Investment Manager |
| Beutel Goodman | DC Investment Manager |
| BlackRock | DC Investment Manager |
| Connor, Clark & Lunn | DC Investment Manager |
| Fiera | DC Investment Manager |
| Sun Life Financial | DC Investment Manager |
| TDAM | DB & DC Investment Manager |

# Lutheran Church–Canada Worker Benefit Plans
# STRATEGIC PLAN 2019-21

## Our Mission

The mission of Worker Benefit Services is to serve members and employers by ensuring the provision of sustainable benefits.

*"Caring for those who serve."*

## Our Vision

We will provide an efficient, meaningful, and sustainable benefit plan with shared responsibility by stakeholders for the health and well-being of members.

## Our Values

We value:

1. Our Church Workers
2. Integrity
3. Transparency
4. Stewardship
5. Consultation
6. Shared Responsibility
7. Excellence

## Our Strategic Directions

1. Ensure sustainability and stability of benefits
    - 1.1 Develop strategies for eliminating the Solvency Deficit
    - 1.2 Conduct ongoing reviews of our benefits programs (post-retirement benefits, pension plan, and group insurance benefits) and redesign these in a timely fashion, taking into account costs, benefits, and alternate options

1.3 Ensure ongoing relevance of benefits for the member and affordability for employers, maintaining a consultation process with all stakeholders

2. Nurture the development of an educated and knowledgeable member and employer base

   2.1 Regularly orient and train congregational leaders and members on the benefit programs (i.e., YouTube, seminars, webinars, newsletters, updates)

   2.2 Develop an annual comprehensive communications plan for stakeholders

   2.3 Continue providing an annual report that provides full information on the operation and status of the pension fund and group benefits

3. Cultivate a meaningful involvement of stakeholders and maintain a climate of shared responsibility

   3.1 Establish an ad-hoc advisory council of representative stakeholders

   3.2 Gather information from stakeholders that will enable the board to gauge their satisfaction with benefit programs

4. Promote health and wellness

   4.1 Enlist a healthy lifestyle champion within the wider church to promote health and wellness and leverage current resources

   4.2 Develop programs that promote personal responsibility for a healthy lifestyle (e.g., physical, mental and spiritual)

5. Strengthen and enhance governance

   5.1 Maintain and update a fiduciary handbook for board members

   5.2 Ensure good communication between Worker Benefits Services and the Plan Sponsor – LCC board of directors

   5.3 Develop a risk assessment process

   5.4 Implement regular governance and peer review processes

   5.5 Establish annual KPIs and monitor performance

## Our Key Performance Indicators

### Target Date: June 2021

1. Achieve Multi-Employer Pension Registration Status
2. Achieve 90% Solvency Funding
3. Achieve 95% Signed Participation Agreements
4. Achieve 80% Post-Retirement Benefit Payments Paid by Retirees
5. Establish a $300,000 Special Reserve Fund
6. Achieve an Administration Expense Ratio of .75 of the Benchmark (Based on Fraser Group "Review of Plans")