

**2016 PENSION AND BENEFITS BOARD REPORT****RECOMMENDATIONS****Consent Recommendations**

That Recommendation Nos. 1 and 3 (identified by the ►) be adopted by consent.

**► Recommendation No. 1**

That the action of the Pension and Benefits Board in the administration of pension benefits be sustained. (see p. 16.1.2)

**Recommendation No. 2**

That the prayer of Overture No. 27, 2015 re Health and Dental Plan membership options be answered in terms of this response. (see p. 16.1.3)

**► Recommendation No. 3**

That the above sections of the Constitution of the Pension Plan of The Presbyterian Church in Canada be revised and amended. (see p. 16.1.6)

**REPORT**

To the Venerable, the 142nd General Assembly:

The Pension and Benefits Board administers The Presbyterian Church in Canada Pension Plan, Group Benefits Plan and other benefit programs on behalf of the General Assembly. The board met in October 2015 and March 2016. Committees of the board also met by conference call and through email consultations.

**CHANGES IN THE STATUS OF THE MEMBERS OF THE PENSION PLAN****Applications to Receive Pension****2015**

May	The Rev. Dr. Daniel J. Shute	October	Mrs. Helen Reid Anderson
June	Ms. Berendina Cost Budde		The Rev. George W. Beals
	Mr. D. Mervyn Games		The Rev. Dennis J. Cook
	The Rev. Janice Hamalainen		Ms. Grace-ann McIntyre
	The Rev. Morag McDonald		The Rev. R. Ian Shaw
	Ms. Gladys Stover	November	The Rev. William A. Elliott
July	The Rev. Dr. Douglas McQuaig		The Rev. E.M. Iona MacLean
	The Rev. Wendy Paterson		The Rev. Harold M. Wiest
August	The Rev. Kathy J. Brownlee	December	The Rev. Douglas M. Cameron
	The Rev. John A. Fraser		The Rev. Erik W. Kraglund
	The Rev. Dr. Wayne R. Hancock		The Rev. Dr. P.A. (Sandy) McDonald
	Ms. Norma McIntyre		The Rev. Susan Moore
	The Rev. Robert R. Sinasac		Mr. Joseph Taylor
September	Mrs. Margaret Bucknole		Ms. Mary C. Tucker
	The Rev. Dr. Philip M. Wilson		

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January	Dr. Rick Allen	March	The Rev. Robert J. Haven
	The Rev. Jeanette G. Fleischer		The Rev. Dr. Richard W. Fee
	The Rev. Sandy D. Fryfogel		The Rev. Dr. Herbert F. Gale
	The Rev. Arlene L. Hartford		The Rev. Douglas R. Johns
	The Rev. Douglas Scott	April	The Rev. Dr. Glen Matheson
	The Rev. Michael J. Stol		
February	The Rev. Candice J. Bist		
	The Rev. Beverley Shepansky		
	Mr. Donald S. Slade		

**Pensioners Deceased****2015**

January 1	Mrs. Nancy Bhe	October 5	Mrs. Eileen Horne
April 6	Mr. Cecil Burrige	October 10	Mrs. Vera Lewis
April 15	Mr. Anthony Pucci	October 11	Mrs. Fay Robertson
April 17	Ms. Jean M. Walker	October 12	Mrs. Maureen E. Lewis
May 4	The Rev. Dr. Peter Gilbert	October 15	The Rev. Robert Little
May 16	Mrs. Grace McGill	October 15	The Rev. Alexander S. MacDonald
May 18	The Rev. Hector W. Rose	November 2	The Rev. Walter Allum
August 14	The Rev. Murdock J. MacRae	November 7	Mr. Lloyd Ewing
August 17	The Rev. Donald J. Herbison	November 21	Mrs. Muriel C. Farris
September 23	The Rev. Dr. Lawrence J. Brice	December 9	Mrs. Constance Rowland
September 23	Mrs. Anna Neill	December 24	Mrs. Dorothy E. Locke
October 2	The Rev. Ian S. Rennie	December 29	The Rev. Siu-Man Lee
October 3	The Rev. Kenneth S. Barker	December 30	Ms. Lynda Garland
		December 31	Mrs. Dorothy Smith

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January 15	The Rev. Dr. L. George Macdonald	February 11	The Rev. Sheila Fink
January 17	The Rev. William M. Barber	February 18	The Rev. Dr. Donovan G. Neil
February 5	The Rev. Donald R. Sinclair	February 21	Mrs. Joy “Jessie” Armour
February 9	The Rev. Clifford Johnson	February 23	Mr. Gary N. Little
February 9	Mrs. Katherine Reichelt		

**Active Members Deceased**

May 2, 2015	The Rev. Jeff Veenstra
February 13, 2016	The Rev. Barbara McGale

**Deferred Member Deceased**

June 27, 2015	The Rev. Joseph Vasarhelyi
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**Recommendation No. 1****Adopted/Defeated/Amended**

That the action of the Pension and Benefits Board in the administration of pension benefits be sustained.

**HEALTH AND DENTAL PLAN****Pulpit Supply Insurance**

Congregations may apply for pulpit supply insurance benefits when their minister is unable to work due to illness or injury. This benefit is funded by the Health and Dental Plan through premiums paid by congregations and other employers where a ‘health and dental position’ has been established by the presbytery.

Until now this benefit was only available to congregations served by a full time minister. The board conducted a review of full-time and part-time positions across the denomination, and agreed that in support of equalizing pulpit supply insurance benefits to all congregations supporting a health and dental position as established by the presbytery, congregations that are served by ministers in part-time positions (half time or more) also be eligible to claim this benefit.

Congregational treasurers may access a pulpit supply insurance claim form at [presbyterian.ca/pensionandbenefits](http://presbyterian.ca/pensionandbenefits).

**OVERTURE NO. 27, 2015 (A&P 2015, p. 602–603)****Re: Health and Dental Plan membership options**

The Pension and Benefits Board has been asked by the 2015 General Assembly “to permit opting out for church workers who are already members of another benefits plan while permitting access to The Presbyterian Church in Canada benefits plan for any other eligible staff in a congregation, or other agency related to The Presbyterian Church in Canada”.

The board feels this overture touches on two distinct issues: the requirement of the Pension and Benefits Board to adhere to the Health and Dental Plan as arranged with the insurer as well as to create and maintain fairness among congregational employees.

### **Health and Dental Plan History**

When the Health and Dental Plan was implemented in 1986, the General Assembly stated that all full time professional church workers and 50 Wynford staff be enrolled in the plan. In 1990 the policy was opened to include part-time (50% or more) professional church worker positions.

In 1997, the Health and Dental Plan was further amended to allow participation in the category of non-clergy full-time and part-time (20 hours or more) staff, conditional upon participation of all such employees in a congregation and the congregation providing the required premiums. (A&P 1998, p. 219).

In determining how congregations should share the plan's expense, the founders of the plan decided that the total cost would be shared equally among all congregations and other employers based on a 'per health and dental position' premium, regardless of the member's marital status or spousal benefits, and without differentiating provinces. (A&P 1986, p. 210) In other words, the cost of the plan which is paid by congregations and other employers is based on a 'health and dental benefit position', not for a specific employee.

### **Plan Participation**

A group benefit plan is designed to provide coverage to 'groups' or 'classes' of individuals rather than specific persons. To be cost effective and limit risk, the plan depends on continuing membership in the group and has certain characteristics in place to avoid adverse selection against the plan. For this reason, all professional church workers and 50 Wynford staff must be enrolled in the plan as provided by employment. Moreover, it is desirable for the church to maintain fair and equitable personnel standards and provide equal coverage to all employees of the named group.

### **Congregational Employee Classification**

Using the same principles that are applied to the professional church worker and support staff classification, the classification of congregational employees requires that when a congregation agrees to utilize the Health and Dental Plan for the classification of non clergy employees, the congregation must agree to enroll all of their eligible non clergy employees.

The decision of a congregation to include benefits to congregational employees as part of employee compensation lies with the individual congregation. Some congregations provide only for the statutory government plans (Canada Pension Plan, Employment Insurance) while other congregations develop personnel policies to include additional benefits provision for their non-clergy staff. Group benefits cannot be differentiated because of age, gender or marital status of the employee or their dependent(s).

There are currently 11 congregations that have enrolled multiple eligible employees (more than 1 employee) in the Health and Dental Plan. There are 17 congregations where only one staff member has been enrolled as eligible in the plan.

The Pension and Benefits Board maintains that in keeping with the original 1997 church policy, participation of non-clergy employees be conditional upon participation of all such eligible employees in a congregation. The Pension and Benefit Board encourages all congregations to exercise best practices and maintain equitable benefit policies for their staff.

#### **Recommendation No. 2                      Adopted/Defeated/Amended**

That the prayer of Overture No. 27, 2015 re Health and Dental Plan membership options be answered in terms of this response.

### **Group Benefits Review**

The Pension and Benefits Board agreed to undertake a detailed analysis of the current Group Benefits Plan in terms of benefit adequacy and funding sustainability. The board will also include a review of any ancillary benefit policies.

## **PENSION PLAN FINANCIAL STATUS**

### **Pension Plan financial status as at December 31, 2015**

The following table shows the going concern and solvency (wind-up) position of the Pension Plan as at December 31, 2015, with comparative information as at December 31, 2014 and March 31, 2014, the date of the last filed actuarial valuation.

There has been improvement in the going concern funded status of the plan over the last year due to strong investment performance in the fourth quarter. However, the solvency (wind-up) position of the plan has steadily deteriorated since March 31, 2014, despite strong investment earnings in 2014 and 2015. The primary reason for the deterioration of the solvency position of the plan continues to be the decrease in the discount rates used to value liabilities, which have offset any asset gain over the period.

#### **Estimated Pension Plan Financial Status as at December 31, 2015**

	<b>March 31, 2014</b> (filed)	<b>December 31, 2014</b>	<b>December 31, 2015</b>
<b>Going Concern Position</b>			
Surplus/(deficit)	\$1,930	\$6,767	\$15,314
<b>Wind-up Position</b>			
Surplus/(deficit)	\$(37,479)	\$(65,384)	\$(67,453)
Solvency ratio	85.2%	77.7%	78.1%

(all amounts shown in thousands)

Because the Pension Plan remains in a solvency deficit position, the church must remit additional special payments in addition to member and congregations/other employer contributions. In 2016 the additional special payments are approximately \$708,000 or \$59,000 per month which must be found from within the financial resources of the church.

#### **Ontario Solvency Relief**

In November 2015, the Ontario government announced their plan for a new round of temporary solvency relief measures, similar to those introduced in 2009 and 2012. The new relief measures will be for a three-year period, starting with actuarial valuations dated December 31, 2015. At the date of this report, it is expected that options will be consistent with prior relief measures, that is, the church will be able to choose between the following options:

- Consolidate existing solvency special payments into a new five year schedule; and/or
- Extend the five-year period to make solvency special payments of any new solvency deficiency to a maximum of 10 years, subject to plan member consent.

#### **Financial monitoring of the Pension Plan**

The Pension and Benefits Board monitors the financial position of the plan on a quarterly basis. The next actuarial valuation is due to be filed no later than March 31, 2017.

#### **Pension Plan Sustainability Study Update**

The Pension and Benefits Board continues to review the sustainability of the pension plan. This includes confirming that projected predictions are matched by the actual results. Also, enhanced assumptions shall be put into the study given both present economic and church financial contexts.

#### **Retiree Pension Audit – Payment Confirmation**

As part of responsible governance, we periodically reach out to our pensioners to verify they are receiving the benefits to which they're entitled. A Payment Confirmation Form was mailed to each pensioner in July 2015 requesting they review the payment amount and beneficiary information for accuracy.

The results of the audit confirm that all pensioners are receiving the correct pension amounts.

The board would like to remind pensioners and/or their powers of attorney to contact the Pension and Benefits Board office when there is a change to their beneficiary information or a change of address. The board office is required to maintain current address information for payment and reporting purposes.

### **PENSION PLAN CONSTITUTION**

#### **Amendments to the Constitution – Supplement for the Province of Nova Scotia**

A change in Pension Legislation in the Province of Nova Scotia effective June 1, 2015, requires a change in the Supplement for that province in the Pension Plan Constitution. The first change, section 1.27, indicates that there is

a change in the definition of ‘spouse’ and the second change, section 16.1, indicates that all new active members are immediately vested upon joining the pension plan.

The following amendments to the Pension Plan Constitution apply to that province:

**The Supplement applicable to service in the Province of Nova Scotia is amended by replacing section 1.27 with the following:**

- 1.27 “Spouse” of a Member on any date means a person, who:
- (a) is married to the Member,
  - (b) is married to the Member by a marriage that is voidable and has not been annulled by a declaration of nullity,
  - (c) has gone through a form of marriage with the Member, in good faith, that is void and is cohabiting with the Member or, where such person has ceased to cohabit with the Member, has cohabited with the Member within the 12-month period immediately preceding the date of entitlement,
  - (d) is a domestic partner of the Member within the meaning of Section 52 of the Vital Statistics Act, or
  - (e) not being married to the Member, cohabited in a conjugal relationship with the Member
    - (i) for a period of at least three years, if either the Member or such person is married, or
    - (ii) for a period of at least one year, if neither the Member nor such person is married.

**The Supplement applicable to service in the Province of Nova Scotia is amended by adding new sections 16.1 and 16.2 as follows:**

- 16.1 This Section shall not apply to Nova Scotia Members.
- 16.2 A Member who ceases to be in Pensionable Service for any reason other than death, Retirement or Disability shall become a Deferred Vested Member entitled to receive from normal retirement date the pension which has accrued in respect of such Member under Section 8.

**Amendment to the Plan Constitution – Supplement for the Province of British Columbia**

A change in Pension Legislation in the Province of British Columbia effective September 30, 2015, requires a change in the Supplement for that province in the Pension Plan Constitution. The change indicates that all new active members are immediately vested upon joining the pension plan. New members are no longer required to reach two years of membership before they are entitled to the pension they have earned.

The following amendment to the Pension Plan Constitution applies to that province:

**The Supplement applicable to service in the Province of British Columbia is amended by adding new sections 16.1 and 16.2 as follows:**

- 16.1 This Section shall not apply to British Columbia Members.
- 16.2 A Member who ceases to be in Pensionable Service for any reason other than death, Retirement or Disability shall become a Deferred Vested Member entitled to receive from normal retirement date the pension which has accrued in respect of such Member under Section 8.

**Amendment to the Constitution effective January 1, 2016 – Changes to the Pension Plan**

The 2015 General Assembly adopted a recommendation that in support of equalizing pensions earned under the new (2013) 1.5% career average earnings formula, grandfathering of the ‘greater of’ pre-1990 pension formula be rescinded effective January 1, 2016. It is important to note that pension earned based on the ‘greater of’ pre-1990 formula for grandfathered members up to December 31, 2015 will remain in place. The change will take place starting January 1, 2016.

Members potentially affected by this change were notified by a letter from the convener of the board on July 10, 2015, and via a newsletter for active members of the pension plan in November 2015. The following amendment is required:

**Section 8.4 is deleted and replaced with the following:**

- 8.4 Notwithstanding Section 8.2, the monthly amount of the normal retirement pension payable to a Member who was contributing to the Plan on December 31, 1989 shall be the sum of the following amounts:
- (a) In respect of the Member’s periods of Pensionable Service on or before December 31, 2015, the greater of:

- (i) the amount of normal retirement pension that would have been payable to the Member under the terms of Constitution in effect on December 31, 1989, calculated only for periods of Pensionable Service on or before December 31, 2015; or
  - (ii) the amount of normal retirement pension determined in accordance with Section 8.2, calculated only for periods of Pensionable Service on or before December 31, 2015.
- (b) The amount of normal retirement pension determined in accordance with Section 8.2 calculated only for periods of Pensionable Service after December 31, 2015.

**Recommendation No. 3                      Adopted/Defeated/Amended**

That the above sections of the Constitution of the Pension Plan of The Presbyterian Church in Canada be revised and amended.

**COMMUNICATION**

The Pension and Benefits Board informs members of plan changes and of the financial status of the Pension Plan and Group Benefits Plan through regular newsletters. *Window* on your Pension and Benefits is distributed each spring and fall to actively working members of the Pension Plan and Health and Dental Plan. *Contact* is distributed each July to retirees of the plans. The *Treasurer's Bulletin* informs congregational treasurers and payroll administrators of annual updates and other information required by treasurers. The board welcomes member feedback.

These publications are available on the church's website, along with member booklets and online forms at [presbyterian.ca/pensionandbenefits](http://presbyterian.ca/pensionandbenefits).

The Pension Plan Constitution and the Pension Plan Statement of Investment Policies and Procedures are available for review by contacting [pension@presbyterian.ca](mailto:pension@presbyterian.ca).

**MEMBER STATEMENTS**

The 2015 Annual Pension and Group Benefits Statements were distributed in May. Members are encouraged to review their statements carefully and report changes to their personal or contact information to the Pension and Benefits Office via [pension@presbyterian.ca](mailto:pension@presbyterian.ca).

**APPRECIATION AND THANKS**

The Pension and Benefits Board is especially grateful for the dedication and service of our staff who along with the Chief Financial Officer, Stephen Roche, so often are called to go beyond the call of duty. We acknowledge the helpful guidance and direction given by the Senior Administrator, Judy Haas, as well as the conscientious dedication of Patty Panagiotopoulos, Administrator, and Olive Clarke and Liane Maki, Pension and Benefits clerks.

This year, only one board member is completing six years of service, Eugene Craig from the Presbytery of New Brunswick. Eugene served on both the Technical Committee and the Group Benefits Committee, and his expertise as a chartered accountant is very much appreciated.

At the same time, we thank those board members who are continuing or shall be re-elected for their hard work and resolve when a commitment to administering the pension funds is so vital in a time of economic uncertainty.

Cameron Bigelow  
Convener

Judy Haas  
Senior Administrator