SPECIAL COMMITTEE RE PENSION SOLVENCY FUNDING

RECOMMENDATIONS

There are no recommendations.

REPORT

To the Venerable, the 142nd General Assembly:

Since the Special Committee re Pension Solvency Funding was appointed at the 2015 General Assembly, it has met on numerous occasions at church offices, 50 Wynford Drive, and by conference call. The precipitating pressure on the church's Pension Plan arises from the continued regulatory need to fund the plan on both a going concern and solvency basis, resulting in a required Pension Plan funding of $67,453 per month.

The following steps are in the process of being acted on in one way or another.

The working group will continue to evaluate the pros and cons of continuing as a Single Employer Pension Plan (SEPP) or seeking to change our plan to a Multiple Employer Pension Plan (MEPP) and will also explore whether this is even possible. Each kind of plan has its unique features but moving to a MEPP would free us from large annual premiums which must be paid into the Pension Benefits Guaranteed Fund. It is our hope that it would also free the Pension Plan from having to make extra payments due to a an actuarially determined solvency shortfall. The shortfall in turn is due to historically low long term interest rates.

Resulting from an urgent need to build capital, the Special Committee recommended that the Assembly Council increase the claim of the Pension Fund on receipts from dissolved congregations to 100% and increase the claim of the Pension Fund on receipts from undesignated bequests to 50%. The latter was adopted by the Assembly Council to take place on April 6, 2016, and the former is coming before the General Assembly as a recommendation of the Council. (see p. 2.1.32–33)

To prepare for the possibility that the plan's solvency deficit and funding requirements could increase as of the next actuarial valuation (must be prepared no later than March 31, 2017), a working group of the Special Committee is also investigating the potential of assessing a Letter of Credit to be available to the Pension Plan. In addition to the potential need for additional deficit funding, an upfront cash infusion may also be desirable to raise the plan's solvency ratio to at least 85% as of the next actuarial valuation date. An 85% solvency ratio will avoid the requirement for annual valuation filings, and provide The Presbyterian Church in Canada with more certainty on plan contribution levels over the three-year period from the valuation date.

We anticipate issuing a request for proposals (RFP) re a letter of credit in the next six months.

Informal discussions have also taken place with the Anglican Church whose pension plan is a Specified Multiple Employer Pension Plan (SMEPP) but these discussions have only been of a very preliminary nature.

Last but not least, once the solvency issue has been settled we may want to look at shifting from a defined benefit plan to a defined contribution plan, if maintaining contribution stability is determined by The Presbyterian Church in Canada as a top priority.

As the Pension Plan solvency has significant impact for not only for the Pension Plan itself but also for the ability of The Presbyterian Church in Canada to fund important parts of its work and mission, the Special Committee continues to exercise due diligence to find the effective solution to the pressures outlined in this report. We ask for the full support and prayers of the church as we continue to move forward with the mandate which the Assembly has placed upon the Special Committee.

Cameron Bigelow
Convener