

PENSION AND BENEFITS BOARD

Interim Report, May 2020

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 2019 and March 2020. 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

2019

January	The Rev. James H. Knott	September	Mr. John E. Buckley
February	The Rev. M. Wayne Burke		The Rev. Dr. Roberta Clare
April	Ms. JoAnn L. Hislop		The Rev. Dr. Kay S. Diviney-MacLaine
	Mr. Robert G. Howard		Mrs. Linda Moore
	The Rev. Dr. Gordon A. Kouwenburg	October	The Rev. E. Brooke Ashfield
	Mr. Abel Somar		The Rev. Linda J. Ashfield
May	The Rev. Calvin M. Lewis		The Rev. Stewart R. Folster
July	The Rev. Dr. W.J. Clyde Ervine		The Rev. Mark R. McLennan
	The Rev. G. Douglas Goodwin		The Rev. Leslie Ujj
	The Rev. Dr. Terry V. Hastings	November	The Rev. Giovanna Cieli
	The Rev. Howard T. Sullivan		The Rev. Robert H. Sparks
	The Rev. Dennis D. Wright	December	Mr. William Collier
August	The Rev. Harry J. Bradley		The Rev. D. Rick Glass
	The Rev. Dr. Thomas Eng		The Rev. Malcolm I. MacLeod
	The Rev. Frederick J. Johnson		The Rev. Robert C. Quick
	The Rev. Dr. Creola M. Simpson		
	The Rev. John H. Van Haneghan		
	The Rev. J. Edward Wiley		

2020

January	The Rev. Herbert E. Hilder	March	The Rev. Sowah Ablorh
	Prof. William S. Morrow		Mr. Roger Erb
	The Rev. Susanne M. Rescorl		The Rev. Katharine A. Fraser
February	The Rev. Sukhyon P. Han		
	The Rev. Dr. Cheol Soon Park		
	Mr. Richard N. Smith		
	The Rev. Catherine C. Victor		
	Mr. Bruce A. Wilcox		

Pensioners Deceased

2019

Feb. 14	Mrs. Lillian Ruth MacDonald	July 28	Mrs. Mary A. Campbell
Mar. 13	Mr. Charles Neads	Aug. 25	The Rev. Barbara A.R. Young
Apr. 8	The Rev. Dennis I. Carrothers	Aug. 26	The Rev. Donald Howson
Apr. 13	Mrs. Margaret B. Young	Aug. 28	Mrs. Nancy W. Mathewson
Apr. 18	Mrs. Aurelia Schatten	Sept. 13	Mrs. Rena Forbes
Apr. 19	Ms. Robin E. Doornink	Sept. 29	Mrs. Kathleen M. Ross
May 1	The Rev. A. Alan Ross	Oct. 4	The Rev. Joyce I. Davis
May 15	Mrs. Elizabeth A. MacDonald	Oct. 17	The Rev. Robert R. Whitehead
June 2	The Rev. Freda M. MacDonald	Nov. 3	Mrs. Lorna June Stevenson
June 6	Mrs. Isabelle M. Brown	Nov. 19	The Rev. George Hunter
June 21	Mrs. Elizabeth A. Tapping	Nov. 28	The Rev. Ralph E. MacKenzie
July 24	The Rev. Coralie Jackson-Bissonnette	Dec. 14	The Rev. Frank Breisch
July 25	Mrs. Alexandra Barker	Dec. 27	The Rev. M. Wayne Burke
July 25	Mrs. Anne M Willis	Dec. 27	The Rev. Neville W.B. Phills

2020

Jan. 15	Mrs. Joan A. MacLeod	Feb 18	Mr. James Bain
Jan. 25	Ms. Prudence K. Owen	Feb 28	The Rev. Dr. John Alwyn Simms
Jan. 29	The Rev. Samuel J. Livingstone	Mar 4	The Rev. Robert Little
Jan. 30	The Rev. I. Larry Jackson		

Active Members Deceased**2019**

Sept. 6	The Rev. Thomas C. Billard
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2020

Feb. 19	The Rev. Ronald Sharpe
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Recommendation No. 1 (will be presented in final report to the General Assembly)

PENSION PLAN FINANCIAL STATUS**Estimated Pension Plan Financial Status as at December 31, 2019**

The following table shows the going concern and solvency (wind-up) position of the pension plan as at December 31, 2019, with comparative information as at December 31, 2018 and March 31, 2018, the date of the last filed actuarial valuation.

The going concern funded status of the plan continued to improve over the last year due to favourable investment returns offset by the reduction in the provision for adverse deviations (PfAD), mainly due to the increase in long-term bond yields. The solvency (wind-up) position of the plan also improved over the last year mainly due to better than expected asset returns and an increase in applicable interest rates.

	March 31, 2018 (filed)	December 31, 2018	December 31, 2019
Going Concern Position			
Surplus	\$29,993	\$34,800	\$36,600
Wind-up Position			
Deficit	\$(39,602)	\$(38,800)	\$(21,300)
Solvency ratio	87.4%	87.6%	93.6%
(all amounts shown in thousands)			

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, 2021, however, the board, in consultation with our actuaries, has opted to file a formal valuation report as at December 31, 2019 which will allow the pension plan the opportunity to secure the strengthened solvency funding position noted above.

Asset Liability Management Study

The results of the Asset Liability Management (ALM) study were presented to the Pension and Benefits Board and the Trustee Board in March 2020. The ALM study which began in March 2018 and concluded in March 2020, analyzed costs and risks under alternative investment, benefit, membership and funding strategies and provided a forecast of financial results over a projection period of 15 years. The analysis allowed the committee to better understand the interaction between benefit levels, contribution levels and investment strategies while providing the opportunity to consider a broad range of outcomes including the expected, best and worse-case scenarios.

The main objectives of the review were to:

- ensure the plan is sustainable;
- understand the impact of membership counts and dollar base on future results;
- examine appropriate asset classes for the pension fund's investments;

- provide a better understanding of future outcomes;
- gain insight into the risk and reward trade-off of various investment strategies.

The main focus variables of the study were:

- going concern funded ratio including the PfAD;
- contribution sufficiency;
- probability the solvency ratio is above 90%.

The ALM results were very positive, indicating a high probability that plan contributions will remain sufficient throughout the 15-year projection period. These encouraging results provided the opportunity for the Pension and Benefits Board to explore and review the impact of a reduction to member contributions, congregational assessments and employer contributions. The ALM study determined that the pension plan could sustain a partial contribution rollback to 8.0% of pensionable income for member contributions, 4.5% of dollar base for congregational assessments and 11% of pensionable income for employer contributions with a high probability of maintaining a 90% solvency funding ratio over the next 5–15 years.

PENSION PLAN CONSTITUTION

Amendments to the Constitution effective January 1, 2021 (Subject to reconsideration)

In accordance with the results presented from the ALM study, the Pension and Benefits Board proposes the following amendments to the Constitution of the Pension Plan.

The table in Section 6.1(d) is deleted and replaced with the following:

Calendar Year	Member's Contribution Rate as % of Pensionable Income
2000	4.4%
2001	4.8%
2002	5.2%
2003	5.6%
2004 to 2011 inclusive	6.0%
2012	7.0%
2013 to 2020 inclusive	9.0%
After 2020	8.0%

The table in Section 7.1 is deleted and replaced with the following:

Calendar Year	Congregational Contribution Rate
Up to and including 1999	2.0%
2000	2.2%
2001	2.4%
2002	2.6%
2003	2.8%
2004 through 2011 inclusive	3.0%
2012	3.1%
2013 through 2020 inclusive	5.0%
After 2020	4.5%

Section 7.2 is deleted and replaced with the following:

- 7.2 In the case of a Member who is neither a minister serving in a congregation nor a diaconal minister serving in a congregation, the Employer shall contribute at the following rates:
- 6% of the Pensionable Income of the Member for each calendar year or part of a calendar year, during which the Member is in Pensionable Service up to and including 1999;
 - 7% of the Pensionable Income of the Member for each calendar year or part of a calendar year, during which the Member is in Pensionable Service from 2000 to 2012 inclusive;
 - 9% of the Pensionable Income of the Member for each calendar year or part of a calendar year, during which the Member is in Pensionable Service from 2013 to 2014 inclusive;

- (d) 10.5% of the Pensionable Income of the Member while the Member is in Pensionable Service during all or part of 2015;
- (e) 12% of the Pensionable Income of the Member for each calendar year or part of a calendar year, during which the Member is in Pensionable Service from 2016 to 2020 inclusive; and
- (f) 11% of the Pensionable Income of the Member for each calendar year or part of a calendar year, during which the Member is in Pensionable Service after 2020.

For any period during which such a Member is in part-time service, the Employer's contributions as determined above shall be reduced based on the ratio of actual service to full-time service, with such ratio being determined using the formula specified in Section 1.21.

Recommendation No. 2 (will be presented in final report to the General Assembly and may be subject to reconsideration during 2020–2021)

OVERTURE No. 14, 2019 (A&P 2019, p. 516)

Re: Pension contribution from ecumenical shared ministry congregations

Overture No. 14, 2019 observes that the current funding formula of The Presbyterian Church in Canada pension plan requires vacant congregations to continue to pay their portion of the pension contributions; however, notes that in the case of an ecumenical shared ministry, the congregation may not be vacant but not necessarily served by a Presbyterian Church in Canada minister and the congregation will be also be required to make pension contributions to the denomination of the serving minister.

The Presbyterian Church in Canada pension plan is a registered defined benefit pension plan and is governed under the Pension Benefits Act in Ontario. Under the provincial funding rules, The Presbyterian Church in Canada is required to make contributions to fund the promised pension benefits accrued by each plan member.

The Presbyterian Church in Canada pension plan design determines employer contributions as follows:

- Each congregation pays each calendar year into the pension fund a percentage (5% in 2020) of the amount reported as the “dollar base” for that congregation as determined by the General Assembly.
- In the case of a member who is neither a minister serving in a congregation nor a diaconal minister serving in a congregation, the employer shall contribute 12% of the pensionable income of the member for each calendar year or part of a calendar year, during which the member is in pensionable service.

The Presbyterian Church in Canada pension plan is required to report all contributions as identified and required under the terms of the constitution to the regulators and remit to the pension plan custodian monthly. If the contributions are not remitted as reported and expected, the pension plan custodian has a responsibility to report the pension plan to the regulator.

The Presbyterian Church in Canada has congregations that have entered into ecumenical shared ministries with other denominations. Throughout these relationships each congregation continues to maintain their denominational status with The Presbyterian Church in Canada. In doing so, they continue to support Presbyterians Sharing through their suggested allocations, pay presbytery dues, complete annual statistical information and maintain all other responsibilities as required by the General Assembly. The support of The Presbyterian Church in Canada pension plan is one of many responsibilities of Presbyterian congregations to support the denomination as a whole.

We note the strategic plan of The Presbyterian Church in Canada (2016) encourages the church to nurture ecumenical relationships and we understand that with declining memberships, congregations may feel the need to develop shared ministries with other denominations as a way to relieve financial stress as well as strengthen partnerships with a view of achieving common goals.

The Pension and Benefits Board is engaged in detailed analysis to explore whether there is any opportunity within the current plan design to provide pension assessment relief for Presbyterian congregations when a non-Presbyterian minister serves the ecumenical shared ministry. The challenge is to find a way to both provide relief to these congregations while preserving the financial health of The Presbyterian Church in Canada Pension Plan. The board is continuing to explore options and consult with our actuaries to verify legalities.

Recommendation No. 3 (will be presented in final report to the General Assembly)

PENSION PLAN CONGREGATIONAL ASSESSMENT ARREARS

The Pension and Board reported to the 2019 General Assembly, the very serious issue of congregations that are in arrears regarding their pension payments and have substantial outstanding balances carried over from previous years. The board has worked diligently with the presbyteries involved and has followed all the steps within in its capacity to communicate the importance of receiving timely payments and the consequences to the church when pension payments are not remitted.

Steps taken

The process started in the fall of 2017, when the Convener of the Pension and Benefits Board, the CFO and the Director of Pension and Benefits met with the Principal Clerk, the Convener of the Assembly Council and a representative of the Assembly Council to discuss the critical issue of congregations who have continually failed to remit their required pension plan congregational assessments. These are congregations that made no payments to the pension plan despite the pension administrator's best efforts to collect contributions. At the beginning of the process, it was identified that a total of 14 congregations had arrears prior to 2017. Six congregations were from the Presbytery of Eastern Han-Ca, five congregations were from the Presbytery of Western Han-Ca, one from the Presbytery of Lindsay-Peterborough, one from the Presbytery of Hamilton and one from the Presbytery of New Brunswick.

At that time, it was decided that the convener of the Pension and Benefits Board would write to the treasurer of each congregation, with a copy to both the presbytery clerk and the clerk of session. The letter clearly stated that the congregational assessments are significantly past due and outlined the regulatory remittance requirements as well as the consequences the church as whole faces for non-compliance. Korean translations were sent along with the English copy to the Presbyteries of Eastern and Western Han-Ca.

The letter provided the opportunity for each congregation to remit their pre-2017 outstanding amounts by December 31, 2018. It was noted that the 2017 assessment amounts remained payable by December 31, 2017. The communication resulted in full payment from five of the 14 congregations, partial payments from five of the 14 congregations and no payments were received from four of the 14 congregations.

In addition to this special communication, the Pension and Benefits administration sends notices on a quarterly basis to all congregations that have outstanding balances. These notices are sent to the congregational treasurers. If no response is received, a notice is then sent to the presbytery to advise them of the congregations outstanding amounts and request assistance in ensuring the congregations obligations are met.

By the beginning of 2019, the congregations that continued with outstanding congregational assessments were in the Presbyteries of Eastern and Western Han-Ca only. The congregations from the other presbyteries had paid their obligations.

In early 2019, on the advice of an ad hoc Pension Board special committee to review and monitor this situation, a visit from the convener of the Pension and Benefit Board and the General Secretary of the Life and Mission Agency was arranged to each of the two Presbyteries; Eastern Han-Ca on January 15, 2019, and Western Han-Ca on February 5, 2019.

At the March 2019 Pension and Benefits Board meeting, it was recommended that the convener of the Pension and Benefits Board write to the Assembly Council informing them of the pension arrears situation with selected churches with the detailed history and steps taken, informing them of the issue.

In October 2019, the board received an update on the issue and agreed that it would be reviewed again at the end of 2019 to determine the total outstanding amounts and report back to the March 2020 Pension and Benefits Board meeting.

Outcome

In March 2020, it was reported that while there has been some improvement in the past year, a chronic and persistent resistance to paying the pension plan and health & dental congregational assessments still exists centered solely on a small number of congregations in the two Han-Ca Presbyteries.

It is important to emphasize that the Pension and Benefits Board's engagement with the two Han-Ca Presbyteries over the years has been positive. They have demonstrated a willingness to tackle this supervisory role conscientiously. This

has resulted in considerable success. We can report that ten of the Eastern Han-Ca congregations are in full compliance with their assessments and two others are in the process of catching up on their assessments. Among the Western Han-Ca congregations, ten congregations are in full compliance with their assessments and one other is catching up on their assessment.

Presently, there are four congregations of the Presbytery of Eastern Han-Ca with arrears totaling \$45,975 in pension plan assessments dating back between three and eleven years, plus an outstanding health & dental assessment of \$14,098 from one congregation spread over four years. There are also two congregations of the Western Han-Ca Presbytery with arrears totaling \$68,045 in pension plan assessments and \$18,319 in health & dental assessments spread over five and six years respectively.

It has proved a challenge both to the Pension and Benefits Board and to the two Han-Ca Presbyteries who have taken seriously their oversight of the congregations within their bounds. The fact is that most congregations in these two Presbyteries are either up to date or in three cases, in the process of catching up with previous pension assessments.

Next Steps

Due to a lingering but seemingly intractable relationship with the remaining few congregations, the Pension Board requested the assistance of Assembly Council to address this issue and to investigate and recommend to the church further steps that can be taken to bring a resolution to this matter.

GROUP BENEFITS

Group Benefits Marketplace Review – Request for Proposal (RFP)

The Pension and Benefits Board conducted a marketplace review of our Group Benefits Plan in 2019 in order to ensure the premiums paid by the church are competitive.

The Request for Proposal (RFP) document was circulated in March 2019 and we received four proposals from qualified carriers – Sun Life, Medavie Blue Cross, Great West Life and Manulife. AON, our benefits consultant, was engaged to do both a qualitative and quantitative analysis. The results established that Sun Life and Medavie Blue Cross provided the top two proposals with the highest cost saving and rate guarantees. In the spring of 2019, the benefits committee, along with our benefits consultant, heard strong presentations from each finalist. After much review, analysis and consideration, it was determined that Sun Life was the successful candidate.

The marketing review provided confirmation that Sun Life continues to offer significant cost savings to the church and our new contract provides the church with significant premium certainty over the next five years.

The board is conscious of the cost of the health and dental plan to congregations and retirees who choose to participate in the plan after completing their employment and continues to make every effort to look for cost containment strategies to manage annual premiums.

COMMUNICATION

Communications Overview

The Pension and Benefits Board is dedicated to finding new techniques to communicate openly and efficiently to all active members, retirees and congregational treasurers, while also maintaining the current tools and methods that have proven to be successful and beneficial to the membership.

Over the past year, we have worked on enhancing our communication techniques with the intention of making a positive impact on active members, retirees and congregational treasurers' lives by enhancing our website and providing various methods of promoting programs, communicating updates, policies and new initiatives.

Website

The Pension and Benefits webpage is continuously monitored and updated with new information to keep active members, retirees and congregational treasurers up to date with any changes that relates to pension and benefits. These updates include new features, such as the *Updates to Your Health and Benefits* page, which allows active members and retirees easy access to new information provided by Sun Life Financial regarding the group benefits program.

Online Learning and Resources

We continue to promote the EAP resources offered by ComPsych which provides tools such as legal guidance, financial resources and emotional support, in addition to the other confidential resources, including counselling services. Our office facilitated a series of webinars offered by ComPsych covering a range of topics from financial health to mindfulness. Throughout the coming year, we hope to provide new, exciting topics through the webinars which we hope will be engaging and educational.

Newsletters

The use of digital and print copies of the Window and Contact newsletters continues to be a success and the preferred choice for communicating any plan updates throughout the year. We also continue to provide updates for congregational treasurers through memos and bulletins designed to communicate essential information such as annual rate changes and tax information.

APPRECIATION AND THANKS

The Pension and Benefits Board would like to express its sincere gratitude for the service of the Rev. Cameron Bigelow and Mrs. Ann Hysert who have both completed six years on the board. Ann has faithfully chaired the Group Benefits sub-committee and we are thankful for her expertise and wisdom. Cam first served as convener of the Technical committee in 2014 and was appointed convener of the Pension and Benefits Board in 2015. We are extremely grateful for Cam's sound leadership, dedication, insightfulness and unwavering commitment to the work of the Pension and Benefits Board.

Cameron Bigelow
Convener

Nicole Jeffrey
Director