PENSION AND BENEFITS BOARD

To the Venerable, the 149th 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 2023 and March 2024. Board committees also met virtually and through email consultations.

CHANGES IN THE STATUS OF THE MEMBERS OF THE PENSION PLAN

Applications to Receive Pension

2023			
Feb.	Hye Ok Lee	Oct.	Catherine Anderson
Mar.	Richard Bonetto		Olive M. Clarke
May	Robert A.J. Kennedy		Jacques V. Nel
June	Ruth M. McCowan		Oliver Ng
July	William A. Kennedy		Christopher I. Orr
	Stephen R. Lindsay	Nov.	Hilkka E. Aavasalmi
	Janet R. Tremblay		Robert N. Faris
	Steven W. Webb		Veronica M. Horner
Aug.	Gwen M. Ament		Hugo Lau
	Kyung Won Cho		Ian C. MacMillan
	Kwang-Nam Paik		Samy Said
Sept.	Jonathan Dent	Dec.	Anna S. Christie
	Shelley C. Kennedy		Ki Tae Lee

2024			
Jan.	Charles J. Fensham	Feb.	Dane A. Ramoutar
	Alfred Heung Soo Lee	Mar.	Ronda Bosch
	Saehoon Lee		Howell Douglas L. Crocker
	Roger W. MacPhee	Apr.	Stephen F. Jenvey
	John-Peter C. Smit		Peggy A. Kipfer

Pensioners Deceased

2023			
Feb. 15	Ruth J. McCarten	May 31	Johan A. Eenkhoorn
Feb. 19	Rona Cronk	June 8	Philip B. Shrive
Feb. 19	C. Gordon D. Reid	June 13	Gary C. Coombs
Feb. 23	Rowena B. Van Seters	July 16	Grace Whyte
Mar. 17	Peter D. McKague	June 20	Kim Chuan Goh
Mar. 23	Robert P. Fourney	June 29	Esther Mezo
Mar. 26	Lois Caldwell	July 12	John D. Yoos
Apr. 1	Pauline P. Brown	July 19	Donald C. Smith
Apr. 3	James A. Thomson	July 24	W. James Farris
Apr. 3	G. James Perrie	July 27	Roy D. Currie
Apr. 5	W. James S. McClure	July 30	Barbara Suzanne Stevens
Apr. 10	Frederick H. Rennie	Aug. 16	Mary A. McLaren
Apr. 13	Karen S. Bach	Aug. 24	Evelyn M.I. Carpenter
Apr. 14	Gordon G. Hastings	Sept. 6	Marilyn M. Wheaton
Apr. 26	Hee Min Park	Sept. 23	Edith W. Williams
May 1	M. Elizabeth Marsh	Sept. 24	Joyce Pollock
May 1	Edwina C. Wilson	Oct. 6	Judith L. A. Green
May 9	Linda E. Robinson	Oct. 7	Robert K. Anderson
May 9	Ruth Rodney	Nov. 7	Eunice M. Bisset
May 11	John P. Bigham	Dec. 2	Kenneth J. Pearce
May 11	Jean E. Lemoine	Dec. 4	Fredrick J. Reed
May 16	Ronald D. Mulchey	Dec. 8	Adela Slavik
May 17	Marion N. Johnston	Dec. 11	Wilda D. Fraser
May 23	Dong Suck Chung		

2024

Jan. 1	David W. Stewart	Feb. 11	C. Joyce Robertson
Jan. 4	Robert Hill	Feb. 12	Dorothy M. Robertson
Jan. 6	Mary L. Vanbodegom	Feb. 29	William C. Smyth
Jan. 11	Gunars J. Kravalis	Mar. 5	Stanley D. Walters
Jan. 15	Isabel S. Smith	Mar. 9	Frances D. Nugent
Jan. 17	Lucia E. Marshall-Ritter	Mar. 17	Madeline E. Simmonds

Active Members Deceased

2023

Aug. 28	Michael J. Marsden	Dec. 21	Diane E. Boyd

Recommendation PAB-001 adopted/defeated/amended
That the action of the Pension and Benefits Board in the administration of pension benefits be sustained.

PENSION PLAN FINANCIAL STATUS

Pension Plan Information and Statistics

The Presbyterian Church in Canada Pension Plan is a defined benefit pension plan that was established in 1927 and provides pension benefits to more than 500 active clergy and employees, 200 deferred members and a monthly pension income to 1,100 retirees and beneficiaries.

Estimated Pension Plan Financial Status at December 31, 2023

The following table shows the going concern and solvency (wind-up) position of the pension plan at December 31, 2023, with comparative information at December 31, 2022 and August 31, 2021, the date of the last filed actuarial valuation.

	Aug. 31, 2021 (filed)	Dec. 31, 2022	Dec. 31, 2023
Going Concern Position			
Surplus	$61,791	$65,500	$73,100
Wind-up Position			
(Deficit)/Surplus	$13,321	$45,700	$49,300
Wind-up funded ratio	104.0%	116.5%	116.5%
(all amounts shown in thousands)			

On a going concern basis, the financial status of the plan continued to strengthen over the past year. The solvency (wind-up) position of the plan continued to improve primarily due to strong asset returns, offset by an increase in liabilities due to a decrease in interest rates and recognition of the January 1, 2024 cost of living increase.

Financial Monitoring of the Pension Plan

The financial position of the pension plan is monitored quarterly. The pension plan is required to file a formal actuarial valuation report with the Ontario pension regulator at least once every three years. The last valuation was filed as at August 31, 2021. The next actuarial valuation must be prepared as of a date no later than August 31, 2024. An early full valuation filing is permitted but must be filed within nine months from the selected valuation date. The Pension and Benefits Board has agreed to proceed with filing the valuation as at December 31, 2023. The full valuation report will be filed with the regulators by September 30, 2024 and will be included in the Pension and Benefits Board report to the next General Assembly.

RETIREE COST OF LIVING INCREASES

The Pension and Benefits Board seeks to enhance the incomes of pensioners by providing cost of living increases in pensions whenever possible. Legislation requires a pension fund to be in a solvency surplus position to grant a cost-of-living increase.

In 2023 and 2024, the solvency position of the plan allowed the board to provide cost of living increases to pensioners. Since the pension plan continues to have a healthy solvency surplus, the board consulted with our actuaries and is pleased to report that the pension plan can support a cost-of-living increase of 3.9 percent effective January 1, 2025.

This cost-of-living increase was determined in accordance with the framework of the Funding and Benefits Policy that was approved by the Pension and Benefits Board and is presented below for General Assembly's approval. The percentage increase was calculated as 100 percent of the rate of increase in the average CPI from 2022 to 2023. The Funding and Benefits Policy requires the plan to meet certain financial metrics to allow such an increase to be granted, including a requirement that the estimated funded ratios on both a going concern and wind-up basis must remain at or above 110 percent after the increase is granted.

Recommendation PAB-002 adopted/defeated/amended
That a cost-of-living increase of 3.9 percent be granted to pensions in payment for at least one year as of January 1, 2025.

PENSION PLAN FUNDING POLICY COMMITTEE

As reported last year, the Pension and Benefits Board together with the Trustee Board appointed representatives of each board to form a funding policy sub-committee tasked with developing a pension plan funding policy. The committee worked with a team of consultants from Eckler to establish the funding objectives and develop the policy.

Establishing a formal funding policy is important to clearly document the pension plan's funding objective as it relates to sustainability, stability of contributions, surplus management, intergenerational equity and ensuring there are sufficient assets to provide promised benefits. It also promotes an understanding of risks to which the pension plan is exposed that could impact the ability to achieve the plan's funding objectives and of the strategies that could be implemented to manage these risks.

The Funding and Benefits Policy, set out below, was approved by the Pension and Benefits Board. The Trustee Board supports and affirms the policy.

FUNDING AND BENEFITS POLICY

1. Background

The Pension Plan of The Presbyterian Church in Canada (the "Plan") came into effect as of January 1, 1974, superseding a number of previous plans. Currently, the Plan provides defined pension benefits for members at retirement based on a career average earnings formula (benefits for service accrued prior to 2013 were based on a final average earnings formula that was frozen as of December 31, 2012). The Plan covers ministers, missionaries, professors, executive staff of the church and salaried employees of congregations. The majority of Plan members are ministers. The primary goal of the pension Plan is to provide a target income at retirement equal to 60 percent of the member's pre-retirement pensionable income average after 40 years of service in the church.

The Plan is financed by the church, congregations as well as other contributing employers and by Plan members at fixed percentages set out in the Plan's Constitution.

The Plan is currently structured as a single-employer pension plan and is registered with the Province of Ontario and the Canada Revenue Agency. The assets of the Plan are held in a trust account (the "Fund") currently by RBC Investor Services, who act as custodian to the Plan and Fund.

The Administrator of the Plan is the General Assembly, which is the highest governing body of the church. The General Assembly has overall responsibility for the management of the Plan, more specifically:

a) to ensure proper funding in accordance with applicable legislation to provide members' benefits;
b) to have actuarial valuations and calculations prepared as are necessary for required actuarial certifications and as input to funding policy decisions; and
c) to make and implement decisions regarding the level of benefits to be provided and the assessed contribution levels.

The General Assembly has established the Pension and Benefits Board (the "Pension Board") and the Trustee Board to help manage the Plan. The Pension Board oversees the administration of the Plan and there are terms of reference and a governance policy in place. The Trustee Board is responsible for ensuring that the investments of the pension fund are managed in a prudent and effective manner. A detailed Statement of Investment Policies & Procedures (SIP&P) is in place for the Plan. The Trustee Board has set up an Investment Advisory Committee to review fund manager performance, review the SIP&P and work with an investment advisor to evaluate the risk and reward of the asset allocation strategy and structure.

The Plan's Constitution sets out the rules of the Plan which from time to time is altered to comply with provincial regulations and to reflect changes agreed to by the General Assembly.

2. Purpose

The overall purpose of this Funding and Benefits Policy (this "Policy") is to facilitate future decisions regarding the funding and benefit levels of the Plan. The Policy provides a framework for the prudent financial management of the Plan and to guide decisions that will have to be made from time to time to maintain or restore a satisfactory funded status and contribute to a fundamental goal that the assets of the Plan are sufficient in the future to meet the obligations of the Plan as they fall due without imposing a financial burden on the church. In addition, this Policy has been adopted to ensure that the needs and expectations of all Plan beneficiaries are fairly considered in making such decisions.

In order to achieve this goal, the following specific objectives will be followed:

a) security of accrued benefits on an ongoing basis;
b) stability of required contributions by congregations, employers and members;
c) enhancement of accrued benefits on an ongoing basis;
d) security of accrued benefits on a wind-up basis; and
e) fairness of funding among generations.

The policy will be managed by the Pension Board. The Pension Board will review and confirm the policy annually, with a full review conducted every 3 to 5 years, coinciding with the frequency of the asset liability studies described in section 6(b). If needed, the Pension Board may recommend amendments to the policy, with such amendments requiring approval by the General Assembly.

The policy principles described herein are intended to be used as guidelines for establishing funding targets, granting benefit improvements and ensuring contribution sufficiency.

Notwithstanding anything to the contrary in this policy, the Plan will comply with all applicable legislation and regulatory policies.

3. Contributions

The Pension Fund is funded from three primary sources:

- receipts in respect of investments held by the fund;
- contributions paid by members; and
- contributions paid by congregations (as employers) and other contributing employers.

The Plan requires member contributions equal to a specified percentage of pensionable earnings (currently 7.5 percent of Pensionable Income). Employer contributions are collected through assessments charged to each congregation and to each other employer-unit of the church. The assessment is equal to a specified percentage of the congregation's "dollar base" (the total funds raised for all congregational purposes in the year). The congregations pay 4 percent of their dollar base (currently approximately 12 percent of pensionable income) and other employers contribute 10.5 percent of pensionable income.

The assessment rate mechanism for employer contributions is an important feature of the church's operations, as it provides budgetary stability for individual congregations and other employer-units to carry out the church's mission and ministry.

The assessment rates may be adjusted from time to time to maintain the security of the promised benefits or to comply with regulatory funding requirements. The current target contribution rates are provided below.

Target Contribution Rates

Members	7.5% of Pensionable Income
Congregations	4.0% of Dollar Base
Other employers	10.5% of Pensionable Income

In accordance with section 18.1 of the Constitution, the General Assembly is ultimately responsible to make up any shortfalls between the assessments collected and the statutory minimum funding requirements. However, only in exceptional circumstances will the Pension Board seek additional funding from the General Assembly.

Contributions to the Plan and Fund are limited in accordance with the Income Tax Act (the "ITA") and Regulations, as they apply to single-employer registered pension plans.

4. Underlying Principles

The primary goal of the Plan is to provide a lifetime income at retirement consisting of two components.

- a **base pension component**, equal to 1.5 percent of pensionable income for each year of pensionable service; plus,
- a **target indexation component** to partially or fully match increases in the cost-of-living before and after retirement, to be granted at the discretion of the church through periodic benefit improvements when the financial health of the Plan allows for such improvements on a prudent basis. The goal of the target indexation component is to provide cumulative pension increases comparable, on average, to annual increases between 50 percent and 100 percent of the annual rate of increase in the Consumer Price Index ("CPI").

Pensionable income includes the member's stipend or salary for the year up to the Maximum Qualifying Income ($84,480 for 2024). The Maximum Qualifying Income is determined based on 160 percent of the top level of the minimum stipend as established for that year by the General Assembly, rounded to the nearest multiple of $60.

This policy is developed with a foundation of five underlying principles, as follows:

Principle No. 1

There should be an even-handed sharing of risk and reward between classes and generations of members, where possible. To fulfill this belief, the Pension Board will act impartially between classes of members and former members after taking into account all proper considerations when considering changes to the Plan's benefits.

Principle No. 2

There will continue to be a significant need for clergy and lay employees to support the work of the church for the foreseeable future. As a result, the risk of Plan termination is very small. Therefore, the primary focus for the policy is on the long-term management of the Plan. A less important focus is on the short-term benefit security of Plan beneficiaries, in the event of Plan termination in the short term.

Principle No. 3

The level of benefits to be provided to members should be determined and assessed, from time to time, on a long-term going concern basis which incorporates a sufficient amount of conservatism so that the Pension Board believes it to be realistic that the benefits can be provided with a reasonable probability and that the Plan is sustainable in the long-term.

Principle No. 4

If the financial experience in the Plan proves to be more favourable than the conservative assumptions adopted in previous actuarial valuations, a portion of the resulting surplus will be used to grant periodic benefit improvements with a target of partially or fully matching increases in the cost-of-living, as measured by the Consumer Price Index, while retaining a prudent margin of conservatism in the Plan to protect against future adverse financial experience.

Principle No. 5

Market yields on long-term government bonds are the best unbiased measure of future investment performance for a lowest risk investment portfolio. Market yields here refer to nominal return bonds. Incremental investment returns above the lowest-risk portfolio should be considered in the long-term financial management of the Plan, consistent with the investment class allocations in the investment policy. Incremental investment returns are understood to be available primarily in exchange for incremental risk. Therefore, to the extent that the Plan's investment portfolio incorporates investment class allocations which have more risk than the lowest risk investment portfolio, it is expected that higher pension benefits can be paid over the long term but there is also a risk that the targeted level of benefits may not always be able to be paid.

5. Key Risks

Key risks faced by the Plan are outlined below. These are listed roughly in order of the potential financial magnitude of the risk (highest risk to lowest risk). These risks should be considered in the context of the underlying principles articulated in section 4 above.

a) **Investment:** Investment risk relates to investment returns achieved by the Plan that are less than the minimum returns required over the long term to support the benefits targeted under the Plan.

b) **Asset/Liability Mismatch:** Pension benefits are a series of scheduled payments anticipated to be made over a long period of time. This payment pattern resembles that of debt security and, as such, the investment structure of a pension plan could be made similar to that of debt securities. To the extent that the investment structure is not similar to that of debt securities having si6milar cash flow and characteristics as the pension benefits, there may be an implied mismatch between the pension benefits and the underlying assets. Should the value of the underlying assets change in differing magnitude (and/or direction) to the change in value of liabilities, resulting from a change in interest rates, a change in the funded status of the plan is experienced due to asset/liability mismatch.

c) **Membership:** In accordance with regulatory requirements, funding deficits must be eliminated by way of contributions in excess of those required to fund current pension accruals (plus non-investment administrative expenses). The absolute level of excess contributions varies based on t6he dollar base and the size of the active membership and the assessment rates. Thus, the Plan is exposed to the risk that it experiences future funding deficits that may need to be funded over a declining membership.

d) **Mortality/Longevity:** Mortality (or longevity) risk relates to the risk that the pattern of mortality actually experienced by the Plan members differs from that assumed in a way that adversely6 impacts the funding of the Plan. The key risk is that retired members live longer than assumed in the going concern actuarial valuation.

e) **Demographic:** Demographic risk is the risk that member demographics evolve in a way that adversely impacts the funding of the Plan. The key risks include:

    i) the average age of the active members increases, which increases the cost of providing the current level of benefits;
    ii) members retire earlier than assumed in the actuarial valuation;
    iii) a significant number of members terminate their Plan membership prior to retirement and withdraw the lump sum value of the accrued benefit from the Plan, at a time(s) when the prescribed lump sum value is greater than the going concern value of the accrued benefit in the actuarial valuation; and
    iv) growth of the inactive Plan membership relative to the Plan's active membership.

f) **Regulatory:** Regulatory risk is the risk that legislative or regulatory changes occur which impact adversely on the funding requirements and/or the benefit levels of the Plan.

Some of the risks outlined above are beyond the control of the Pension Board and Trustee Board, whereas others arise from choices the boards have actively made. For example, regulatory risks are not within the control of either board but asset liability risk is. This policy is intended to provide a framework for the Pension and Trustee Boards to prudently manage and monitor risk, where possible and practical.

6. Management of Risk

This section provides a framework to prudently monitor and manage the risk, where possible and practical, to avoid the need to implement increases to contributions and/or changes to benefits. The Plan's liability structure and cash flows, both current and projected and related risks are taken into account, monitored and managed in the following main ways:

a) **Statement of Investment Policies and Procedures**: The status of the Plan's demographic and liability structure is taken into account in the Statement of Investment Policies and Procedures. The statement is monitored and approved or amended by the Trustee Board at least annually.

b) **Asset/liability Studies and/or Projection Studies:** These studies project plan assets and liabilities and resulting funded status of the Plan under multiple scenarios, involving assumptions for investment returns of various asset classes and asset structure, Plan demographics and employment levels and benefit levels. These studies, along with regular actuarial valuations, allow the church to assess current and/or projected changes in the Plan's demographic characteristics, probabilistic outcomes for funding levels in future and risk tolerance. The studies are used to assist the Pension Board and the Trustee Board in assessing and determining investment policy and target benefits to be provided. These studies should be undertaken for the Plan every 3 to 5 years, based on updated reviews of all key modelling forecast assumptions. Simplified reviews should also be conducted every year to test the viability of any indexation enhancements to the benefits (as described in sections 8 and 9).

c) **Retiree Mortality Studies:** Historical mortality experience of retirees for the Plan may not be fully credible on its own, for purposes of assessing the appropriateness of the mortality assumption adopted for valuation calculations and/or asset/liability or scenario projection studies. The impact of mortality experience for the Plan is regularly monitored as part of the actuarial valuation process. As well, the Plan may reference available published mortality studies or participate in trade- or industry-specific pensioner mortality studies in order to evaluate any trends in longevity improvements.

d) **Demographic Experience Studies:** Emerging experience, as disclosed in actuarial valuation reports, will be analyzed through demographic experience studies to determine the appropriateness of the assumption adopted for the going concern valuation and to evaluate any trends in the assumption. Typical studies include monitoring the average age of members and conducting termination and retirement experience studies. In addition, monitoring membership growth/decline and changes to the dollar base will be tracked annually and a review against expected levels will be performed every 3 to 5 years or any other period chosen by the Pension Board to conduct such studies.

e) **Monitoring Regulatory Changes:** Through advisors, the Pension Board and Trustee Board monitor proposed and implemented changes in applicable legislation and regulation. The Pension Board will be able to use this information to continue to administer the Plan in accordance with applicable legislation and consider changes to the Plan resulting from changes in legislation or regulation.

7. Actuarial Valuations

Valuations of the Plan, including actuarial methods and assumptions, must comply with:

i) the Ontario Pension Benefits Act;
ii) the pension policies issued by the Financial Services Regulatory Authority of Ontario;
iii) the federal Income Tax Act; and
iv) the Standards of Practice established by the Canadian Institute of Actuaries.

At each valuation, the going concern, solvency and wind-up status of the Plan will be determined and expressed as a funded ratio. In addition, the minimum and maximum contributions will be determined for the next valuation year based on the valuation results.

a) **Frequency of Valuations:** The Administrator is required to have an actuarial valuation prepared at least triennially or more frequently if the solvency ratio is below 85 percent. If a valuation is not required in a particular year, the Pension Board may request the Plan actuary to prepare either a full actuarial valuation or an estimate of the current funded status of the Plan including an assessment of the ability of the Plan's assets and expected contribution in-flows to support expected benefit payouts.

b) **Going Concern Valuation:** The projected unit credit actuarial cost method shall be used to determine accrued liabilities and the annual cost of benefits for the going concern valuation. Under this method, the actuarial liabilities consist of the present value of pensions in payment and vested deferred benefits for terminated employees, plus that portion of the future defined benefits expected to be paid to active members, which are related to their credited service up to the valuation date, based on salary levels that are projected to retirement.

Funding levels determined by going concern actuarial valuations of the Plan for regulatory purposes will be established using assumptions derived from expectations of long-term economic conditions, after taking account of long-term economic data and the Plan's Statement of Investment Policies and Procedures. In general, the Plan will apply the following principles when determining actuarial valuation assumptions:

i) All key actuarial assumptions will be determined based on best estimate assumptions. Adjustment to such assumptions, to incorporate margins for adverse experience (conservatism), will be reviewed with the aid of any supporting analysis or documentation and included, as directed by the Pension Board, in the long-term discount rate assumption, mortality assumption and/or termination or retirement rate assumption.

ii) Demographic assumptions will be based on Plan experience, where practical or on industry standard experience (e.g., mortality tables) which will be reviewed as published (and may be modified as determined in accordance with any appropriate experience studies). Assumptions are also required for administrative and investment related expenses and for estimated future contribution levels, based upon the advice of the Pension Board.

iii) The actuarial discount rate will be developed using an economic building block approach, the Plan's investment policy and the principles outlined in this policy.

iv) Going concern Provision for Adverse Deviations (PfAD) shall be calculated and funded for according to pension legislation applicable to the Plan.

v) Under the pension legislation applicable to the Plan, any new unfunded liabilities revealed in the going concern valuation are to be amortized over a period not exceeding 10 years.

vi) In the event that the going concern funding level disclosed in the valuation is less than 100 percent, corrective action required to improve the funded position to 100 percent must be disclosed in the valuation report, in accordance with applicable legislation. In the event that the Plan is more than 105 percent funded on a market value of assets basis, the Pension Board may consider benefit improvements. Plan changes and the manner in which they are to be assessed are discussed in sections 8 and 9.

c) **Solvency Valuation:** Assumptions used for the purposes of solvency and wind-up valuations will be established in accordance with the requirements of the Ontario Pension Benefits Act (PBA), the pension policies of the Ontario pension regulator and the Standards of Practice established by the Canadian Institute of Actuaries. The actuarial valuation that is prepared will include a solvency valuation in accordance with regulatory requirements. Reduced solvency deficits, as defined under the pension legislation, are amortized over no more than 5 years. In the event that the Plan is more than 105 percent funded on a solvency basis, the Pension Board may consider benefit improvements.

Plan changes and the manner in which they are to be assessed are discussed in sections 8 and 9.

d) **Funding Policy Valuation:** The funding policy valuation is similar to the going concern valuation in all respects, except that it includes the costs of future benefit improvements to the Plan and assets are measured on a market value basis. The benefit improvements included are based on the highest indexation rate in the target range outlined in section 8(d) (i.e., annual pre-retirement and post-retirement pension increases at a rate of 100 percent of CPI increases).

e) **Smoothing:** Methods for smoothing assets and liabilities are permitted for the going concern and solvency valuation, which have the effect of extending the period for amortizing investment experience losses over an additional period up to 5 years. For the purposes of the going-concern valuation for the Plan, the assets are currently smoothed over a five-year period. For the purposes of the solvency, wind-up and funding policy valuations, as well as for calculating the funded ratio on a going concern basis for providing benefit improvements, the assets are currently valued at market value less any in-transit benefit payments or fees at the valuation date.

Temporary Funding Relief

The Pension Board will consider any new temporary funding relief policies issued under the PBA and the implications of adopting such temporary funding relief policies on the Plan.

8. Benefit Adjustments and Plan Changes

a) Benefits earned for current contributions may be adjusted from time to time in accordance with section 19.1 of the Constitution. Such adjustments could result in benefit increases, reductions of future accruals and/or changes to contribution rates. The Pension Board and the Trustee Board may, from time to time, also consider other changes to the Plan such as (but not limited to) the Plan's investment classes and allocations.

b) If at any time, as indicated in an actuarial valuation report to be filed with the regulatory authorities or this policy, the church cannot meet the minimum funding requirements, the Pension Board must consider all options presented and the extent of the funding shortfall. The Pension Board must direct that corrective action be taken, which may include one or more of the options considered.

c) At any time that section 8(b) is applicable or where benefit improvements or changes to the Plan are under consideration by the Pension Board, reference will also be made to any asset/liability study, projection study or other related analysis, as may be requested by the Pension Board, as per section 6(b), in conjunction with the Funding Targets outlined in section 9 as part of determining the appropriate action.

d) The target benefit improvements, taking into account the funding targets as per section 9, would provide cumulative pre-retirement and post-retirement pension increases comparable, on average, to annual increases between 50 percent and 100 percent of the annual rate of increase in the Consumer Price Index ("CPI").

9. Funding Targets

a) In considering benefit adjustments or other changes to the plan, the Pension Board shall assess the impact of such changes by making reference to a point-in-time actuarial valuation and a projection analysis, as referenced in section 6(b). The actuarial valuation considers the financial status of the plan at the valuation date, while the projection analysis considers the uncertainty or risk that may emerge over time.

In addition to any requirements outlined in legislation, the Pension Board has set the following targets:

Minimum Targets

The Pension Board may consider reductions to future benefit accruals or increases to assessed contributions for members, congregations and employers if the assessed

Contributions are not sufficient to meet the minimum funding requirements at the initial valuation date.

Benefit Improvement Targets

The Pension Board may consider benefit improvements at 75 percent of CPI if **all** of the following conditions are met after the changes have been implemented:

i) the plan has a going concern funded ratio and a solvency funded ratio of at least 105 percent as of the date the benefit increase is granted;
ii) the assessed contributions at the date the benefit increase is granted are sufficient to meet all minimum funding requirements as of the valuation date;
iii) the cost of accruing benefits (current service cost plus administration expenses) on a funding policy valuation basis does not exceed the assessed contributions as of the valuation date; and
iv) the following forward looking metrics are met at the time the benefit increase is granted:

Projection Year	**Probability of Being Fully Funded on a Going Concern Basis**	**Probability of contribution sufficiency**
5 years	80%	95%
10 years	80%	87%
15 years	80%	80%

The Pension Board may consider benefit improvements up to 100 percent of CPI if the following additional condition is met after the changes have been implemented:

v) The plan has a going concern funded ratio and a solvency funded ratio of at least 110 percent as of the date the benefit increase is granted.

The Pension Board may consider different increases than those described above. For example, if a 75 percent CPI increase does not meet the conditions in this section 9(a)(i) but a 50 percent CPI increase would meet those conditions, the Pension Board may consider granting a 50 percent CPI increase.

Alternatively, a benefit increase in a given year might include a catch-up component to make up for a target increase that could not be granted in a previous year when the above conditions were not met. In this situation, the conditions in sections 9(a)(ii) through 9(a)(v) must be met after the increases have been granted.

b) The following assumptions will be used for the purpose of section 9(a):

i) When measuring the funded ratio on a going concern basis, the methodology and assumptions in accordance with 7(b) shall be used, with the exception that the assets will be measured on a market value basis, adjusting for in-transit benefit payments and expenses.
ii) When measuring the probability of contribution sufficiency on the initial valuation date, the contributions are deemed to be sufficient if they are sufficient on a regulatory going concern basis, which includes the smoothing of assets.

iii) When measuring the probability of contribution sufficiency at future projection years, contributions will be deemed insufficient if the plan fails the going concern contribution sufficiency test 3 years in a row when measuring the assets on a market value basis, adjusted for in-transits.
iv) If a filed actuarial valuation is not being completed as of the date of the benefit improvement, a robust estimate using the prior full valuation (whether filed or unfiled) and projection assumptions will be used.
v) The plan membership shall be projected as an open group, with assumptions for future levels of membership and demographic profiles for new entrants based on the ongoing experience studies, most recent valuation assumptions and advice of the Pension Board.
vi) For projection purposes, assets and any economic variables that impact the liabilities will be projected using most up to date capital market assumptions.
vii) Valuation assumptions used for projected future going concern valuations will be the same as the most recent full valuation, with the exception of the discount rate, which may be updated to reflect up to date capital market assumptions.
viii) Valuation assumptions used for projected future solvency/wind-up valuations will reflect interest rates using up to date capital market assumptions. All other assumptions will be in line with the most recent guidance provided by the Canadian Institute of Actuaries and applicable pension legislation.
ix) When testing the forward-looking metrics in section 9(a)(iv), the model forecast will assume that future indexation increases at either 75 percent CPI or 100 percent CPI will be granted annually throughout the projection period, as long as the plan is projected to satisfy the conditions in either section 9(a)(i) or section 9(a)(v), respectively, at the time of each future increase.
x) No projected changes in contribution rates will be reflected in the projections beyond those already contained in the current plan text, other than those contributions changes being tested for potential implementation.

10. Risk Mitigation and Transfer

a) In developing the funded ratio targets, consideration was given to avoid future risk of the plan being in a deficit.

b) If the solvency ratio of the plan is in excess of 100 percent, the Pension Board and Trustee Board may consider strategies to transfer or reduce the risks associated with inactive (deferred and retired) members. Any risk transfer strategy should have the objective of reducing the long-term risk of the plan without significantly impairing the projected financial health of the plan.

11. Communications

The Pension Board will disclose the financial position of the plan to the members following the completion of any actuarial valuation of the plan that is required to be filed with the regulatory authorities.

The Pension Board will provide access to this policy to plan members, along with a general description of the key principles and objectives of the policy and an overview of the process for making decisions on future changes to benefits or contribution rates for the plan.

12. Review and Monitoring

This policy may be reviewed and revised at any time but the Pension Board will review and confirm the policy annually and conduct a full review every 3 to 5 years, coinciding with the frequency of the asset liability studies described in section 6(b).

Recommendation PAB-003 adopted/defeated/amended
That the above Funding and Benefits Policy be adopted effective January 1, 2025.

PRE- RETIREMENT PENSION BENEFIT IMPROVEMENTS

As reported last year, historically, pensions were improved on a regular basis to keep up with the cost-of-living through the pension plan design. Before 2013, the pension formula was a Final Average Earnings (FAE) design which automatically adjusted the retirement benefit to the average earnings in the years before retirement. This formula was frozen as of December 31, 2012, and the current Career Average Earnings formula became effective January 1, 2013. This formula does not provide automatic adjustments for wage or price inflation.

Effective January 1, 2024, the board granted a cost-of-living adjustment to the frozen FAE benefits accrued to December 31, 2012, and career average benefits earned from 2013.

Since the funded status of the plan has remained strong and stable, and the plan is currently in surplus positions on both a solvency and going concern basis, the board proposes to provide a 3.9 percent pre-retirement increase, based on the same formula as the retiree increase, effective January 1, 2025. This percentage increase is in addition to the pre-retirement percentage increases effective January 1, 2024.

This cost-of-living increase was determined in accordance with the framework of the Funding and Benefits Policy that was approved by the Pension and Benefits Board and presented above to the General Assembly for adoption.

Recommendation PAB-004 adopted/defeated/amended
That effective January 1, 2025, the existing pre-retirement frozen pensions earned for pensionable service on or before December 31, 2022, be increased by 3.9 percent.

PENSION PLAN CONSTITUTION

Amendments to Constitution Effective January 1, 2025

In accordance with Recommendations PAB-003 and PAB-004 above, the Pension and Benefits Board proposes the following amendments to the Constitution of the Pension Plan, effective January 1, 2025.

Section 1 of the Appendix is amended by adding the following row to the end of the table of pension increases:

	% of Pension Increase Payable to:		
Effective Date	**Retired Members**	**Deferred Vested Members**	**Spouses and Children of Deceased Members**
January 1, 2025	3.9%	N/A	3.9%

The Appendix is amended by deleting section 5 and replacing it with the following:

5. For the purpose of determining the amount of pension payable under this Plan to a Member or to the surviving Spouse or dependent child of a deceased Member during any period on or after January 1, 2024 but before January 1, 2025, and for the purpose of determining the amount of the accrued pension entitlement of a Member in Pensionable Service or of a Deferred Vested Member as of any date on or after January 1, 2024 but before January 1, 2025, the "Pre- Retirement Indexing Factor" defined in paragraph 8.3(d) for a particular calendar year shall be adjusted to the amount specified in the following table.

Calendar Year	Pre-Retirement Indexing Factor
2012	1.116
2013	1.111
2014	1.100
2015	1.094
2016	1.086
2017	1.078
2018	1.066
2019	1.055
2020	1.052
2021	1.034
after 2021	1.000

The Appendix is amended by adding the following new section 6:

6. For the purpose of determining the amount of pension payable under this Plan to a Member or to the surviving Spouse or dependent child of a deceased Member during any period on or after January 1, 2025, and for the purpose of determining the amount of the accrued pension entitlement of a Member in Pensionable Service or of a Deferred Vested Member as of any date on or after January 1, 2025, the "Pre-Retirement Indexing Factor" defined in paragraph 8.3(d) for a particular calendar year shall be adjusted to the amount specified in the following table.

Calendar Year	Pre-Retirement Indexing Factor
2012	1.159524
2013	1.154329
2014	1.142900
2015	1.136666
2016	1.128354
2017	1.120042
2018	1.107574
2019	1.096145
2020	1.093028
2021	1.074326
2022	1.039000
after 2022	1.000

Recommendation PAB-005 adopted/defeated/amended
That the above sections of the Constitution of the Pension Plan of The Presbyterian Church in Canada be amended as defined above effective January 1, 2025.

OVERTURE NO. 10, 2023 (A&P 2023, p. 269)
Re: Increase benefits for mental health services

This overture was transmitted from the Presbytery of Waterloo-Wellington and was referred to the Pension and Benefits Board.

Overture No. 10, 2023 observes that mental health challenges being faced by church workers is on the rise and that those facing mental health challenges should be encouraged to seek help in a timely manner and also set a good example by talking about their needs and seeking when needed. The overture acknowledges that the current group benefits program provides a maximum of $700 per benefit year for mental health support and the Employee Assistance Program provides free short-term counselling.

Acknowledging that mental health challenges being faced by church workers are on the rise, after prayerful consideration and review the Board proposes an increase to the mental health coverage available through the extended health and dental plan from the current maximum of $700 per benefit year to a maximum of $1,500 per benefit year. The practitioner list will also be expanded.

The board continues to monitor the healthcare rates closely. The increase in coverage will result in an initial increase of 1.05 percent to our total extended healthcare rates and, with increased utilization, may contribute to additional increases to our total extended healthcare rates in future years.

Recommendation PAB-006 adopted/defeated/amended
That effective July 1, 2024, the mental health provision under The Presbyterian Church in Canada's group benefits plan be increased from $700 per benefit year to $1,500 per benefit year.

Recommendation PAB-007 adopted/defeated/amended
That the prayer of Overture No. 10, 2023 re increase benefits for mental health services be answered in terms of this report.

OVERTURE NO. 6, 2024 (see Referred Overtures, p. 3)
Re: proposed changes to housing and utilities in Maternity and Parental Leave Policy

Overture No. 6, 2024 is asking for changes to housing and utilities in Maternity and Parental Leave Policy. Following extensive discussion, on account of the importance of the program, the board is seeking additional time from the General Assembly to perform a full review of the current top-up program, with a view to reporting to the next Assembly.

Recommendation PAB-008 adopted/defeated/amended
That, given the scope and depth of research required to provide a fulsome response, the Pension and Benefits Board be granted permission to report to the next General Assembly.

COMMUNICATIONS

The Pension and Benefits office has continued to progress in their communications by integrating new technology and systems, while collaborating with multiple departments, including the Life and Mission Agency and Financial Services, to streamline email communications and modernize how members receive important information regarding their Pension and Benefits.

Pension and Benefits Information Sessions Available

With new members joining the plan throughout the year, it is important to inform them on what the Pension and Benefits plan has to offer. Requests for Information Sessions provided by the Pension and Benefits office are on the rise and the office will be communicating that these sessions are available upon request either in person (within the greater Toronto area) or online. The Pension and Benefits department is also working to offer recorded Information Sessions that will be available online.

Continued Webpage Updates

The Pension and Benefits webpages, which are available on the church's website, are continuously monitored, edited and updated to ensure an easy-to-use experience for members and treasurers requiring information about the Pension and Benefits plan. This includes simplifying the web pages to provide a user-friendly experience and adding shortcuts such as the *Helpful Resources* page: helping to direct members to the most requested resources, and the new *Meet the Team*: providing information on who to contact in the department depending on the type of inquiry.

Coordination of Communications with LMA and Financial Services

With the continued effort to streamline national office communications and to ensure that all financial information is distributed appropriately, the Pension and Benefits office continues to work alongside the Financial Services and Stewardship departments in the Life and Mission Agency to coordinate updates to email contact lists using the programs Panache, Raiser's Edge and Sage.

APPRECIATION AND THANKS

The Pension and Benefits Board would like to express its sincere gratitude to the Rev. Harry Currie for his dedicated service on the board after completing 2 three-year terms. He faithfully served on the board's technical sub-committee and the funding policy committee. We are so grateful for his wisdom, insightful nature and collaboration throughout the years.

Donald Walcot
Convener

Nicole Jeffrey
Director