LCC Worker Benefit Services Inc.

PENSION PLAN AMENDMENT- CONFIRMS MULTI-EMPLOYER STATUS

Approval for amendments to the Pension Plan Text was recently received by the Alberta Superintendent of Pensions. The new Pension Plan Text is online at **www.lccbenefits.ca**.

Non-Collectively Bargained Multi-Employer Pension Plan (NCBMEPP) Designation

The most significant change to the pension plan is a change to our registration status so that we are now considered a Non-Collectively Bargained Multi-Employer Pension Plan (NCBMEPP) which is how our plan for the last number of years has administratively and functionally operated. The WBS Board has long believed that clarifying our status as a NCBMEPP will ensure all stakeholders clearly understand their rights and obligations.

By way of background, with the establishment of LCC as an autonomous church body in 1988, the Defined Benefit pension assets and liabilities for Canadian workers were transferred from LCMS to the newly established LCC Pension Plan effective January 1, 1989. The initial pension acts in the various provinces, including Alberta where the Plan is registered, didn't take into account different pension organizational structures reflecting the various underlying entities that sponsor pension plans. Over time changes to the pension act were passed to address some of the ambiguity in the legislation and bring clarity to how various types of plans could be structured. The last major pension reform in Alberta came into effect September 1, 2014 and introduced the concept of Non-Collectively Bargained Multi Employer Pension Plans (NCBMEPP) whose provision closely aligned with the structure of the LCC plan. At that time, a decision was made to clarify our registration status so that all stakeholders including employers, members and synod had a clear understanding of their rights, obligations and responsibilities. Regional orientation meetings with employers and the subsequent signing of Participation Agreements facilitated these goals. Finally in the summer of2020 the amended Pension Plan Text was submitted and subsequently approved by the provincial regulator.

The new designation officially clarifies that each of the employers that is participating in the plan are responsible for funding the pension obligation of each of the church workers that serve them or served them in the past. The biggest implication under NCBMEPP status occurs if a participating employer withdraws from the plan and is unable to pay their portion of any funding shortfalls for the members they employed. Members will have their benefits based proportionally on the assets that are available. While the plan is currently fully funded on a going concern basis it is not fully funded on a solvency basis from which benefits paid from the plan are based. While we don't want to see members' benefits reduced, we need to ensure that the withdrawing employer's obligation is not passed on to the remaining employers in the plan, which over time would make the plan unsustainable and put into jeopardy the retirement benefits for all plan members. Fortunately, the vast majority of withdrawing employers have paid their solvency deficits.

As part of the NCBMEPP designation, legislation requires that all participating employers sign a Participation Agreement. Approximately 97% of participating employers have signed a Participation Agreement with LCC which outlines the mutual responsibilities of employers and LCC as the Plan Administrator. The Regulator has indicated they wish to see all remaining employers sign Participation Agreements or alternatively formally withdraw from the plan, and settle any outstanding obligations no later than December 2021. Employers exercising their right to withdraw from the plan are required to fully fund their share of the solvency deficit within the five year period required by pension legislation.

Other Plan Changes

The other changes made to the plan were essentially housekeeping items including the removal of outdated or inoperative provisions such as the deletion of references to the Flex Plan (which is no longer offered) or the Forfeiture Account which is not required as members are immediately vested (they immediately own the amounts contributed to the Defined Contribution Plan). There were also provisions added to provide administrative clarity, such as references to the role of Worker Benefit Services and the insertion of a provision addressing withholding requirements on lump-sum payments from the Plan.

Should you have any questions on the above, please contact:

Dwayne Cleave	administratorlcc@lutheranchurch.ca	1-800-588-4226 Ext.219
Nancy Swerhun	nswerhun@telus.net	403-278-7506