

October 19, 2022

RE: Pension Plan Merger Progress Report

Dear Brothers and Sisters in Christ

The purpose of this letter is to update employers and church workers on the progress of the merger of the LCC pension plan into the College of Applied Arts & Technology (CAAT) pension plan.

Introduction

As you may recall delegates at the LCC convention overwhelmingly supported a resolution in favour of pursuing the pension plan merger with CAAT. In follow-up to that resolution, WBS sent out an information package on the planned merger to all our participating employers together with an agency agreement for them to sign and return to LCC, with a July 31, 2022 deadline date. The purpose of the signed agency agreement was to confirm the employer's continued participation in the pension plan, and it also authorized LCC/WBS to act as the employer's agent for finalizing the merger details with CAAT.

Participating Employer Endorsement

We are very pleased to report that 208 employers returned signed agency agreements in favour of moving forward with the merger which covered 99% of active church workers. As a result of this strong endorsement from employers, LCC proceeded with negotiating the finalized terms of the merger with CAAT through a memorandum of agreement (MOA), that included the finalized pricing for funding the CAAT funding shortfall.

Funding Shortfall Update

We have great news to share in that the CAAT funding shortfall for the pension plan was calculated to be **\$3,986,615**, which is considerably less than the estimated \$6 million figure that was communicated to delegates at the convention. The primary reasons for the reduced pricing had to do with the better actual investment performance of our pension portfolio compared to an assumed rate of return up to March 31, 2022 that was used in the original calculation and also because of a recent decision WBS made to purchase additional annuities for existing pensioners.

As a result of the reduced shortfall amount and based on our existing employer pension contribution rate, the shortfall will **be completely paid off by June 30, 2024**. This equates to a 27 month re-payment period that is taking place between April 1 2022 and June 30, 2024 - which is much less time then the 60 month repayment period we had originally estimated and shared at the convention. This means that the current employer pension contributions rate will remain at 16% until June 30, 2024 with 6% allocated to earning benefits under the CAAT DBplus pension and the remaining 10% being used towards financing the CAAT shortfall. After June 30, 2024 the employer contributions will be reduced to 6%.

Next Steps - Member Consent

The next critical step in the merger process will be obtaining member (employee) consent. The proposed merger received a positive endorsement from clergy delegates at the convention, so we are quite confident that members will support the merger. In order for the merger to proceed, 2/3 of active members with a defined benefit entitlement will need to vote in favour and no more than 1/3 of inactive members (deferred) with a defined benefit entitlement can vote against. CAAT will be mailing out the voting information packages and consent forms to members in early December 2022 and the members will have up to 90 days to return their signed consent form.

Member Orientation Resources

Over the 90 day consent period, members will have the opportunity to learn more about the CAAT plan by exploring a CAAT website portal that will be set up exclusively for LCC members, and they will also have the opportunity to sign- up for customized webinar presentations. CAAT designated staff will also be accessible by phone or e-mail to answer member questions.

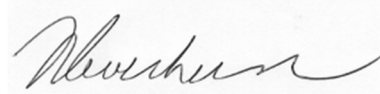
Conclusion

If we obtain member consent the effective date for joining CAAT will be April 1, 2023 and pension contributions will begin flowing into CAAT. Finally, if your congregation and or organization has any questions or more clarity is required please don't hesitate to write or call Nancy or me.

In His Service,



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