



LCC Worker
Benefit Services Inc.

LCC Worker Benefit Services Inc.

Webinar for Employers on the
Potential Merger with CAAT
Pension Plan
May 2022

Purpose of Webinar

- WBS recommendation to merge the LCC Defined Benefit Plan with the CAAT Pension Plan effective April 1, 2023.
- Present information on:
 - Current Plan Status
 - Who is CAAT?
 - Advantages to employers
 - How the merger will work
 - Merger Process

Current Plan Status

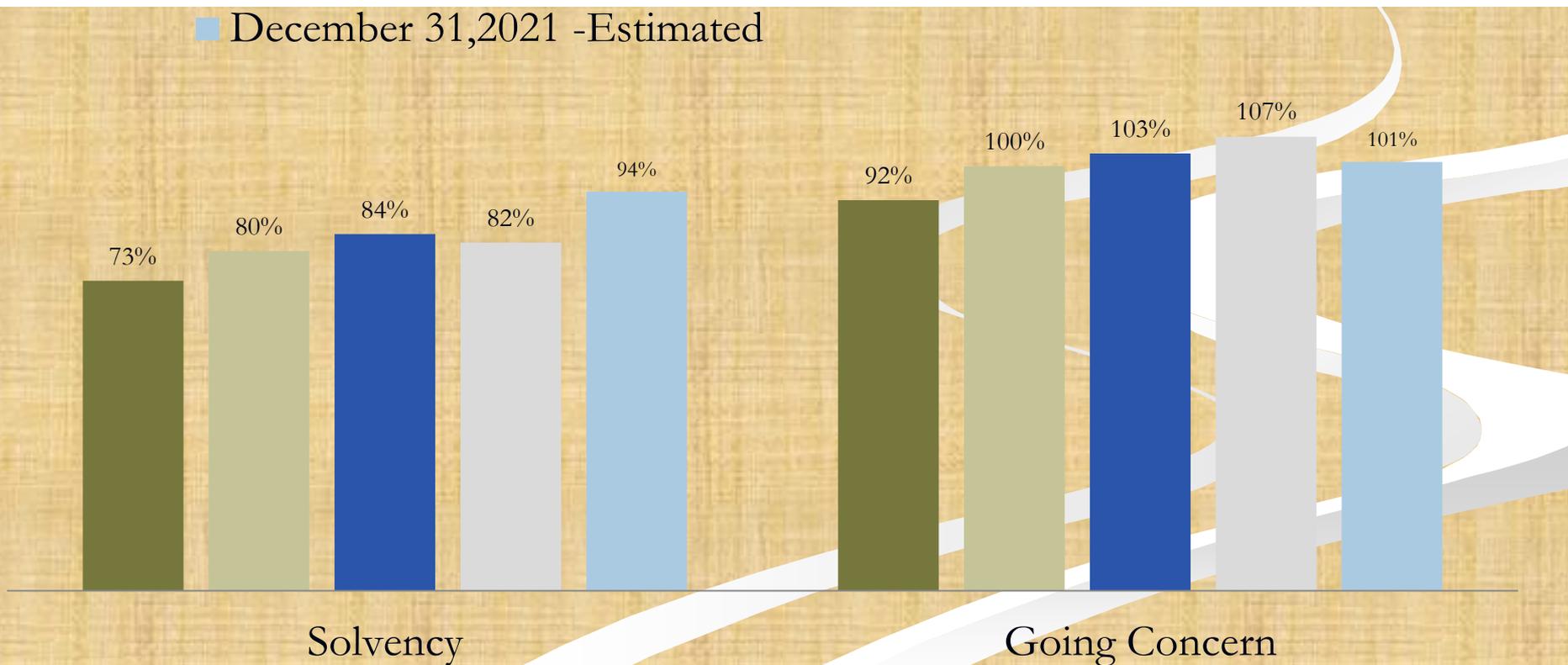
- DB plan essentially closed, DC plan primary retirement plan
- New members join DC
- Adequacy of plan is a concern

Current Plan Status

- Objective is to provide a reasonable, affordable pension that is sustainable.
- Employer contribution -16%
- Going -concern ratio – 101%; solvency - 94%
- 2 annuity buy-ins of retiree liabilities result in 50% of liabilities being protected from investment, interest rate and longevity risk
- 50 % of plan assets still subject to these risks
- Long- term sustainability challenge

Recent History Plan Funded Status (%)

- December 31, 2014
- December 31, 2017
- December 31, 2019
- December 31, 2020 -Estimated
- December 31, 2021 -Estimated





200+ Employers

75,000+ members



- Established 1967
- Secure benefits
- Well-funded, respected for its pension and investment management expertise.
- Not subject to solvency funding



Well-funded, sustainable, and high performing

(figures as at January 1, 2022)

\$18

billion in assets

124%

funded on a going
concern basis

11%

ten-year average
annual net return

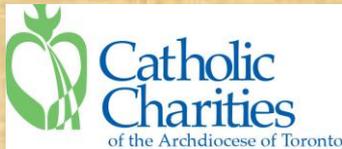
\$4.4

billion funding
reserve

\$2

billion smoothing reserve

Some of the employers who joined CAAT



Winnipeg Free Press



Advantages To Employers

- Provides a better benefit for members for the same cost:

Expected Return for Every \$1 invested

Type of Plan	Defined Contribution	Defined Benefit Pension (DB Plus)
Return on every dollar invested	\$2.58	\$ 5.32



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Advantages to Employers

- **Stable, predictable contributions**
- **Certainty on when funding shortfall eliminated**
- **Reduction in expenses (Governance, administration, legal, actuarial, auditor, custodian)**
- **Investments, administration, governance and communication managed by CAAT**

Advantages to Employers

- Eliminates employer risk of funding a solvency deficit.
- Joining a larger plan with a diverse group of employers improves plan sustainability as the plan is not reliant on the financial health of any one organization.
- CAAT is a large expertly run plan that has been in existence for more than 50 years.

Considerations

- No longer an LCC Plan – no longer control design, management and operations of the plan
- Employers are locked into participating in the plan for 10 years except if they close or go into permanent vacancy



How will the Merger Work?

- **Active members will be enrolled and earn benefits under CAAT's DBplus provisions effective April 1, 2023.**
- **Employers and members contribute 6% and 4% respectively.**
- **Past LCC Defined Benefit pension will be transferred to CAAT.**



How will the Merger Work?

- Member may use their DC Plan assets to purchase additional pension .
- Pensioners will receive their pension directly from the insurance company.
- While working active members will receive an annual increase on their earned LCC DB pension based on the Average Industrial Wage to a maximum of 2.3%.

How will the Merger Work?

- We must fund to CAAT's going concern funded ratio of 124% and provide funding for the annual increase to the LCC pension.
- Need to top up the assets being transferred from the pension fund to CAAT by approximately \$ 6 million.
- Employer pension contributions expected to remain at 16% for the next five years. After shortfall paid off, amount of employer contributions can drop to 6%.

Merger Process

- A presentation on the CAAT merger will be delivered at the LCC Convention. Delegates will be asked to support a resolution in favour of pursuing the merger with CAAT.
- Agency Agreements will be sent to employers. Must be signed and returned prior to July 31, 2022.
- Assuming delegate support is favourable the MOA with CAAT is expected to be signed by the end of August 2022.

Merger Process

- $2/3^{\text{rds}}$ of the active membership with DB service have to vote in favour of the merger and no more than $1/3^{\text{rds}}$ of inactive members with DB service may vote against the merger. CAAT to send voting packages to members in December 2022. Members will have 90 days to return their voting forms.
- The result of the vote will be communicated in early March, 2023.

Merger Process

- Assuming the vote is favourable, effective April 1, 2023 active members will commence earning benefits in the CAAT's DB Plus Pension Plan.
- DB Merger and a DC wind-up report filed with Regulator.
- Once the Regulator approves merger, the DB Pension Plan assets will be transferred to CAAT.
- DC Pension Assets will be transferred according to the member's option election once the Regulator approves the wind-up report.

Summary

- WBS sees the merger as being beneficial to both members and employers.
- Members receive a secure lifetime pension with inflation and survivor protection and are not required to understand and manage investments or worry about outliving their savings.
- Employers have certainty on pension funding with a defined path to eliminating the pension shortfall and provide better benefits to members for the same cost.



Questions ?





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Thank-you for listening!