

MEBP NEWS

Manitoba Municipal
Employees Benefits Program
2014 Edition

The Year in Review

Welcome to MEBP News. In this issue, you will find important information about your MEBP benefit plans.

2013 Pension Plan Valuation

The purposes of the Pension Plan Valuation are to present information on:

- the financial position of the Plan on both going concern and solvency basis; and
- the sufficiency of participating employer and member contributions to fund the minimum required contributions.

The valuation also outlines the changes in the Plan's financial situation since the previous actuarial valuation at December 31, 2012, and provides information required by *The Manitoba Pension Benefits Act* and the *Income Tax Act*.

Two types of actuarial valuations are prepared:

- **Going Concern Valuation** – is prepared to determine whether or not the present assets of the Plan would cover the accrued liabilities (benefits), **assuming the plan is going to continue into the future.**
- **Solvency Valuation** – is prepared to determine whether or not the present assets could cover the accrued liabilities (benefits), **assuming the Plan would be discontinued on the date of valuation.**

If the plan assets exceed liabilities, the plan has a "surplus". If the liabilities are higher, the Plan has an "unfunded liability" (also referred to as a "deficit")

The following are the results of the 2013 Pension Plan valuation:

Going Concern Financial Position

	December 31, 2013	December 31, 2012
Actuarial Value of Assets	\$ 506,598,000	\$ 467,124,000
Actuarial Liability		
Active and disabled members	\$ 286,317,000	\$ 265,981,000
Retired members and beneficiaries	229,568,000	206,725,000
Terminated vested members	14,226,000	12,593,000
Reserves	<u>12,946,000</u>	<u>11,520,000</u>
Total actuarial liability	\$ 543,057,000	\$ 496,819,000
Actuarial Surplus	\$ (36,459,000)	\$ (29,695,000)
Funded Ratio	93.3%	94.0%

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Quick Facts

Please advise MEBP of an address change. An outdated address on your MEBP account may result in delays when providing you with important information, such as the Annual Benefits Statement

The Annual Report to Members will no longer be mailed to members and is now available under the Publications section of the MEBP website. If requested, a paper copy will be mailed to members at no charge.

MEBP NEWS is published for members of the Municipal Employees Benefits Program. Comments or suggestions are welcomed. Contact us at:

MEBP NEWS

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Solvency Financial Position

	December 31, 2013	December 31, 2012
Solvency Value of Assets	\$ 506,598,000	\$ 467,124,000
Provision for plan windup expenses	<u>(1,900,000)</u>	<u>(1,500,000)</u>
Total solvency value of assets	\$ 504,698,000	\$ 465,624,000
Solvency Liability		
Active and disabled members	\$ 353,333,000	\$ 385,814,000
Retired members and beneficiaries	271,909,000	279,473,000
Terminated vested members	<u>19,227,000</u>	<u>20,820,000</u>
Total actuarial liability	\$ 644,469,000	\$ 686,107,000
Solvency Surplus	\$ (139,771,000)	\$ (220,483,000)
Funded Ratio	78.3%	67.9%

As at December 31, 2013, the Going Concern Valuation determined that liabilities exceeded assets, resulting in an Unfunded Actuarial Liability of \$36,459,000 and the funded ratio of the actuarial value of assets to the actuarial liabilities was 93.3%. As required by provincial legislation, special payments plus interest are currently being made by the plan to pay off the liability over a 15 year period.

Also, as at December 31, 2013, the Solvency Valuation revealed that the Plan had an Unfunded Solvency Liability of \$139,771,000 and the solvency ratio of the solvency value of assets to the solvency liabilities was 78.3%. The Solvency Valuation is based on a hypothetical plan wind up; therefore, no amortization payments are required. However, if the Solvency Ratio is below 90%, no plan improvements can be granted to members, including Cost of Living increases to retired members and beneficiaries.

The annual rate of return on the actuarial value of assets was approximately 8.6% (net of investment expenses) and the annual rate of return on the market value of assets

was approximately 12.2%. Total member and participating employer contributions were \$28,821,000.

Over the past 2 years the Board of Trustees has focused on the sustainability of the Plan. In 2013 the Board reviewed a Sustainability Study completed by the Plan Actuary. The study used 10 year projections assuming different economic scenarios and risk factors. The study concluded that over the long term, current contribution rates will help to improve the financial position of the Plan by paying down the deficit and providing a cushion for adverse deviation.

The Plan, however, faces a number of risks including:

- Low investment returns or low interest rates
- Mortality improvements (people living longer)
- Rate of retirement and salary increases higher than expected

These risks could impair the long-term financial position of the Plan and could require additional contribution rate increases and/or benefit reductions.

The study revealed that the Plan is in a precarious position and would be unable to withstand significant adverse experience, such as the stock market crash of 2008. Based on these projections and recommendations made by the Plan Actuary, the Board had to make some difficult decisions which involved adjusting pension benefits in order to reduce future liabilities.

The Board, with the help of the Plan Actuary, will continue to monitor the Plan and to explore all options to ensure that MEPP continues to be a viable plan into the future.

Pension Plan Changes

In early September 2014, a notice was sent to all members, advising of Plan changes that were to be effective January 1, 2016.

At their meeting on September 23, 2014, the Board re-affirmed their decision to change the early retirement and termination provisions of the Pension Plan to ensure future sustainability. However, after careful consideration and additional consultation with the Actuary, the Board decided to provide a longer notice period and delay the effective date of the Plan changes to January 1, 2018. This will provide members and employers with more time to plan for the changes.

The following is a summary of the Plan changes:

1. Early Retirement - Rule of 80 Changes

Current Plan Provisions

Members can take an unreduced early retirement if they meet Rule of 80 requirements. Rule of 80 means that your age plus service equals 80 or more.

New Plan Provisions Effective January 1, 2018

A member who meets the Rule of 80 requirements, must also be a minimum of age 55 to be eligible for early unreduced retirement benefits from the Plan.

Example 1: Member who **has not obtained Rule of 80** as at December 31, 2017.

Date of Birth: October 30, 1966

Rule of 80 Date: April 26, 2019 at age 52.4
(unable to retire)

Earliest Retirement Date: October 30, 2021 (age 55)

A member, who obtains their Rule of 80 date prior to January 1, 2018 and is under age 55, is still eligible to retire without meeting the new minimum age 55 requirement.

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Example 2: Member **who has obtained Rule of 80** as at December 31, 2017 or earlier.

Date of Birth: October 13, 1967

Rule of 80 Date: March 25, 2017 at age 49.4

Earliest Retirement Date: March 25, 2017

All other retirement provisions remain the same and are as follows:

- **Normal Retirement** - 65 to 71 years of age, with 1 or more years of service.
- **Early Retirement Date** - Unreduced Pension - 60 or older, with 5 or more years of service.
- **Early Retirement Date – Reduced Pension** – 55 to 60 years of age, with 5 or more years of service (service plus age does not equal 80).

2. Termination of Employment & Death Before Retirement

Current Plan Provisions

Members who terminate from the Plan and have 5 or more years of service are eligible to receive the **bridge benefit**. The benefit is paid to members as a termination option or as a monthly pension supplement between the ages of 55 and 60. Pensionable service is used in the calculation of the bridge benefit.

New Plan Provisions Effective January 1, 2018

Only pensionable service earned prior to January 1, 2018 will be used to calculate the bridge benefit for members who terminate from the plan. Pensionable service earned after **December 31, 2017** will not be used in the bridge benefit calculation.

3. Early Retirement Reduction on Termination

Current Plan Provisions

Members, who terminate from the Plan and have 5 or more

years of service, can leave the pension benefit in the Plan (deferred pension benefit) and take a monthly pension payment at age 55 or older. If the deferred pension benefit is started prior to age 60, an early reduction penalty applies. Currently the penalty is $\frac{1}{4}$ of 1% for each complete month that the early retirement date precedes a member's 60th birthday.

New Plan Provisions Effective January 1, 2018

The early retirement penalty of $\frac{1}{4}$ of 1% will only apply to pension benefits earned up to December 31, 2017. Pension benefits earned after December 31, 2017 will have an early retirement penalty applied based on an **actuarial equivalent value** to the pension that would have been paid at age 60. This means that the retirement penalty will range from between 30% to 7% between the ages of 55 to 59.

4. Small Benefit

Effective October 1, 2014, if at retirement a member's annual pension earned is less than 4% of the Canada Pension Plan Yearly Maximum Pensionable Earnings (YMPE) or the commuted value of the benefit is less than 20% of the YMPE, the member will receive a one-time lump sum payment rather than a monthly pension benefit. *This is in accordance with Section 21(4) of the Pension Benefits Act.*

The MEBP Board and Staff would like to welcome the following new employers:

- Community Futures White Horse Plains Development Corporation
- Niverville Heritage Holdings Inc.
- The Pas Community Development Corporation

Disability Income Plan Valuation & Plan Change

An Actuarial Valuation conducted as at January 1, 2014, for the Plan, revealed that the number of disability claims has increased considerably since the last valuation which was conducted on January 1, 2011. The valuation confirmed that the contributions collected from employees and employers were not sufficient to cover the costs and expenses incurred and as at January 1, 2014 the Plan experienced a deficiency of \$539,000. The financial position of the Plan is as follows:

Statement of Financial Position

	January 1, 2014	January 1, 2011
Market Value of Assets	\$ 8,589,000	\$ 8,184,000
Actuarial Liability		
Disabled Life Reserves	<u>\$ 9,128,000</u>	<u>\$ 5,621,000</u>
Actuarial Surplus	\$ (539,000)	\$ 2,563,000

In order to recover the deficiency and to ensure that

contributions collected are sufficient to fund future costs, the Board of Trustees has approved an increase to the contribution rate, from 1% to 1.2%. The increase is effective for the first pay issued in January of 2015. Additional increases are scheduled to take place in 2016 and 2017.

A plan change was also approved by the Board. Members who may have originally opted out of the Disability Income Plan when it was first offered by their employers now have the opportunity to apply for participation in the Plan.

Members can apply to join by submitting an Evidence of Insurability form. Based on the medical information provided on the form, an adjudicator will decide if the member is able to join the Plan. Additional medical information may be required. Any costs associated with the completion of forms/obtaining medical information are the responsibility of the member. To apply you must be a member of the Pension Plan. Please contact Marisa at the MEBP office for additional information and forms.

MEBP Staff & Trustee News

We wish to thank Bert Lagimodiere and Donna Harrowen for their service on the Board. Both Trustees will finish their terms on December 31, 2014. Mr. Lagimodiere has served on the Board since January 1, 2007 and Ms. Harrowen since January 1, 2010.

Also, congratulations to Elaine Graham who has completed 25 years of service with MEBP and welcome to Kathleen Rueckert, hired on a 1 year term to replace Melissa Wollmann who is currently on leave. Kathleen administers Retirement Benefits and Pensioner Payroll.

MEBP Board of Trustees – 2014 Election

Every vote counts! Please participate in the Election Process. Your ballot needs to be received at our office by 4:00 pm on November 21, 2014.

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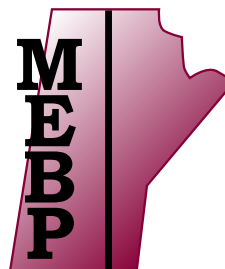
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