



MEBP NEWS

MUNICIPAL EMPLOYEES BENEFITS PROGRAM

Manitoba Municipal
Employees Benefits Program
2016 Edition

Welcome to MEBP News. In this issue of MEBP News we provide you with important information about your MEBP benefit plans and an update on some changes that will be happening in 2017.

The Year in Review

The following is a summary of some of the activities that took place in 2016:

1. Effective January 2016, the Board of Trustees approved a contribution rate increase for the Disability Income Plan.
2. New plan booklets were created and are now available on the MEBP website (www.mebp.mb.ca), under the "Employees" section.
3. MEBP staff organized Financial & Pre-Retirement Seminars in Brandon and Winnipeg.
4. The Pension Plan Text was reviewed and updated due to policy changes. A new version of the document is now available on our website.
5. Actuarial Valuations were conducted for the Disability Income Plan and the Group Insurance Plan.

2015 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, 2014, 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")

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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 An outdated address on your MEBP account may result in delays when providing you with important information, such as the Annual Benefits Statement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 is 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 active and deferred members of the Municipal Employees Benefits Program.

Comments or suggestions are welcomed.
Contact us at:

MEBP NEWS

Municipal Employees Benefits Program
1200 - 444 St. Mary Ave
Winnipeg, MB R3C 3T1
Phone: 204-946-3200 (Wpg.)
Fax: 204-945-5370
Toll Free: 1-800-432-1908
Website: www.mebp.mb.ca

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The following are the results of the 2015 Pension Plan valuation:

Going Concern Financial Position

	December 31, 2015	December 31, 2014
Actuarial Value of Assets	\$ 585,116,000	\$ 548,203,000
Actuarial Liability		
Active and disabled members	\$ 299,846,000	\$ 291,766,000
Retired members and beneficiaries	279,067,000	256,260,000
Terminated vested members	15,183,000	13,915,000
Reserves	15,057,000	14,087,000
Total actuarial liability	\$ 609,153,000	\$ 576,028,000
Actuarial Surplus	\$ (24,037,000)	\$ (27,825,000)
Funded Ratio	96.1%	95.2%

Solvency Financial Position

	December 31, 2015	December 31, 2014
Solvency Value of Assets	\$ 585,116,000	\$ 548,203,000
Provision for plan windup expenses	(2,000,000)	(2,000,000)
Total solvency value of assets	\$ 583,116,000	\$ 546,203,000
Solvency Liability		
Active and disabled members	\$ 432,266,000	\$ 413,993,000
Retired members and beneficiaries	377,951,000	345,930,000
Terminated vested members	24,585,000	23,517,000
Total actuarial liability	\$ 834,802,000	\$ 783,440,000
Solvency Surplus	\$ (251,686,000)	\$ (237,237,000)
Funded Ratio	69.9%	69.7%

As at December 31, 2015, the Going Concern Valuation determined that liabilities exceeded assets, resulting in an Unfunded Actuarial Liability of \$24,037,000 and the funded ratio of the actuarial value of assets to the actuarial liabilities was 96.1%.

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.

Pension Plan Changes

A voluntary option that has been available to members at retirement is "Integration with Old Age Security".

This option has allowed the Municipal Employees Pension Plan (MEPP) to add an "advance" to a member's monthly pension payment. The advance is paid from the date of retirement date to age 65. At age 65 the member's MEPP payment is reduced in order to recover the advance payments issued to the member. This reduction to the MEPP payment continues for the member's lifetime.

The Board of Trustees has decided that effective January 1, 2017 this option will no longer be offered, as it is volatile to

Also, as at December 31, 2015, the Solvency Valuation revealed that the Plan had an Unfunded Solvency Liability of \$251,686,000 and the solvency ratio of the solvency value of assets to the solvency liabilities was 69.9%. 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 7.3% (net of investment expenses) and the annual rate of return on the market value of assets was approximately 6.7%. Total member and participating employer contributions were \$31,451,000.

The current contribution rates are helping to improve the financial position of the Plan by paying down the deficit and providing a cushion for adverse deviation.

The Plan, however, continues to face a number of risks including:

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

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

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

any changes that are made to the Old Age Security (OAS) program by the federal government.

For example: in 2012, the federal government brought in major changes to the OAS program. In order to accommodate these changes, MEBP had to revise computer programs and update information and forms sent to members. In 2016, the federal government reversed all OAS changes made in 2012 and MEBP had to once again revise computer programs and information documents.

**To receive information on the
Canada Pension Plan and Old Age Security program
contact Service Canada at 1-800-277-9914
or go to their website at www.servicecanada.gc.ca**

Disability Income Plan – Contribution Rate Increase

The Board of Trustees had approved a series of contribution rate increases, after an Actuarial Valuation conducted as at January 1, 2014, confirmed that the Plan experienced a deficiency. The last increase was implemented in January 2016, with the contribution rate going from 1.2% to 1.4%.

The next rate increase will be effective on your first pay dated January 2017. The contribution rate will increase from 1.4% to 1.5%.

An Actuarial Valuation conducted as at January 1, 2016, confirmed that actual cost for new claimants was significantly greater than expected and this resulted in a current deficit (loss) of \$1,038,000. The Board of Trustees is continuing to monitor the situation and will determine if any further rate increases are required.

Group Insurance Plan – Contribution Rate Decrease

An Actuarial Valuation conducted as at December 31, 2015, confirmed that the Plan has a surplus of \$5,506,000 and that current contribution rates are sufficient to fund the obligations of the plan. As a result, the Board of Trustees has approved a reduction to the Basic Life Insurance contribution rate, effective January 1, 2017.

Effective with your first pay dated January 2017, the monthly cost of Basic Life Insurance will reduce from .32 cents per \$1,000 of coverage to .26 cents per \$1,000 of coverage.

This is an example of how your Basic Life Insurance contribution is calculated:

Neil has annual earnings of \$40,000 and has 2 units of Basic Life Insurance. He is paid bi-weekly, based on 26 pay periods in the year.

- His Basic Life Insurance coverage is \$80,000 ($\$40,000 \times 2$)*
- *Annual Salary is rounded up or down to the nearest \$1,000 and then multiplied by the number of units of insurance (1 or 2).
- Effective January 2017, his required bi-weekly contribution will be: $(80 \times .26) \times 12/26 = \9.60 .
Prior to January 2017 his required bi-weekly contribution was: $(80 \times .32) \times 12/26 = \11.82 .
- Neil's employer has an agreement with their employees that they will pay 50% of the Basic Life cost.
The employer pays $\$9.60/2 = \4.80 .
- Neil's bi-weekly contribution is $\$9.60 - 4.80 = \4.80 .
- 8% retail sales tax is applied to the required contribution for both employers and members: $\$4.80 \times .08 = \$0.38 + \$4.80 = \5.18 each

Participating employers may cover all, a portion or none of the cost of the Basic Life Insurance. This will affect a member's cost requirements. Also, the employer's pay frequency (bi-weekly, semi-monthly, monthly) will affect the amount of the contribution per pay. Please contact your employer to confirm your current coverage and contribution amounts.

Note: The 8% Retail Sales Tax (RST) is required to be applied to all group insurance contributions. The tax applies to Basic Life, Family, Optional Life, Basic and Voluntary AD&D Insurance.

Focus on Benefits

In this edition of MEBP News we have provided a summary of the plan costs as at January 1, 2017. Participating employers may cover none, all or a portion of the costs for the Disability Income Plan and Basic Life Insurance. Also, insurance contributions may be pro-rated if paid on a bi-weekly, semi-monthly basis or monthly basis.

Plan	Contribution Frequency	Required Member Contribution
PENSION	Each pay period	8.3% of pensionable earnings up to the YMPE* and 9.5% of pensionable earnings in excess of the YMPE
(Members who do not participate in the Disability Income Plan pay 8.4% up to YMPE and 9.6% in excess of YMPE). *YMPE is the Year's Maximum Pensionable Earnings. For 2016, the YMPE is \$54,900 (2017 YMPE to be provided once it is available)		
DISABILITY INCOME PLAN	Each pay period	1.5% of pensionable earnings
BASIC LIFE INSURANCE	Monthly	.26 cents per \$1,000 of coverage
OPTIONAL LIFE INSURANCE	Monthly	Cost is based on your age and whether you are a smoker or non-smoker.
FAMILY INSURANCE	Monthly	\$2.50
VOLUNTARY ACCIDENTAL DEATH & DISMEMBERMENT	Monthly	Cost based on plan type/coverage amount

Coverage Amount	Employee Only Plan	Employee & Family Plan
\$25,000 Minimum	\$0.75	\$1.00
\$50,000	\$1.50	\$2.00
\$75,000	\$2.25	\$3.00
\$100,000	\$3.00	\$4.00
\$125,000	\$3.75	\$5.00
\$150,000	\$4.50	\$6.00
\$175,000	\$5.25	\$7.00
\$200,000	\$6.00	\$8.00
\$225,000	\$6.75	\$9.00
\$250,000 Maximum	\$7.50	\$10.00

Cannot Locate Members

We currently have a number of pension accounts that have become "Cannot Locate". MEBP is unable to locate these members as we do not have a current address or phone number on file. If you know of anyone who may have forgotten about their MEBP pension benefits, please have them contact us toll free number at 1-800-432-1908.

Retired Members

Retired members, who participate in the Post Retirement Group Insurance Plan, were notified of a decrease to their monthly life insurance rates in July 2016. Please contact us toll free number at 1-800-432-1908, if more information is required.

New Administrator for MEBP

The Board of Trustees of the Municipal Employees Benefits Program is pleased to announce that they have hired the services of Coughlin & Associates Ltd., as the new Third Party Administrator for the Pension, Group Insurance and Disability Income Plans. Coughlin will replace the current in-house administration of the plans.

The Board, after reviewing all available information, determined that a Third Party Administrator would be the best option in addressing future technology requirements for the plans. Some of the current employees of MEBP will continue to work as employees of Coughlin.

While the timing of the transfer of administration is still to be determined, it is anticipated that it will be April 1, 2017. Formal notice of the transition date will be provided a few months prior to the actual date to ensure that adequate time is given to members and employers.

The MEBP website will continue to be a key source of information for employers and members. Please check the website for updates during the transition period. Additional information will be provided as it becomes available.

The Board of Trustees anticipates a long and mutually satisfying working relationship with Coughlin & Associates Ltd.

Attention Deferred Members

A deferred member is a member who is no longer an active employee, but chose to leave their pension benefit in the Plan after they were no longer employed with a participating MEBP employer.

If you are a deferred member it is important that you continue to notify MEBP of any changes to your address and marital status. This way you will not miss out on important notifications that may affect your pension benefits.

PROGRAM STAFF:

Rose Neufeld

Executive Director
Ext. 207
rneufeld@mebp.mb.ca

Marisa Aiello-Nicholls

Senior Benefits Administrator
Ext. 206
marisa@mebp.mb.ca

Elaine Graham

Benefits Administrator
Terminations, Deferred
Accounts, Employer
Seminars, Active Employee
Deaths, Retired Members
Relationship Breakdowns
Ext. 240
egramah@mebp.mb.ca

Kathleen Rueckert

Benefits Administrator
Retirement Counseling,
Pension Estimates,
Retirements, Pensioner
Deaths, Reciprocal Transfers
Extension 244
kathleen@mebp.mb.ca

Laura Tonnellier

Benefits Administrator
Enrolments, Data Changes,
Group Insurance Applications
& Claims, Terminations,
Deferred Accounts, Website,
Money Purchase Plan.
Extension 208
laura@mebp.mb.ca

Denise Cheang

Benefits Administrator
Contribution Remittances,
Disability Income Plan,
Buybacks, Active Members
Relationship Breakdowns
Extension 267
denise@mebp.mb.ca

Fran Johnson

Senior Programmer Analyst

BOARD OF TRUSTEES:

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Municipal Employees Benefits Program
1200 - 444 St. Mary Ave
Winnipeg, MB R3C 3T1
Phone: 204-946-3200 (Wpg.)
Fax: 204-945-5370
Toll Free: 1-800-432-1908
Website: www.mebp.mb.ca