

Window

on your Pension & Benefits

A newsletter for active members of the pension and benefits plans

Fall 2009

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A level playing field

Adjusting the pension formula for fairness

In the interests of ensuring that all members are treated equally, the Pension Board has made a minor amendment to the pension plan. Starting January 1, 2010, if you have been a member of the plan for fewer than five years when your membership ends, the “average maximum qualifying income” used to calculate your pension benefits will be exactly the same as it is for everyone else – the average of the maximum qualifying income in the year your membership ends and the preceding *four* calendar years.

Currently, if you have fewer than five years of membership, the average maximum qualifying income is based on your *actual* period of membership. The problem is that, because the average maximum qualifying income rises each year, the shorter the service, the higher the average. Although the difference is generally small, it gives an unintended advantage to people who retire, die or leave the Church with shorter service.

Today, the average maximum qualifying income for someone with three calendar years of membership is \$61,340 ($\$184,020 \div 3$) versus \$59,744 for someone with five or more years of membership ($\$298,720 \div 5$). As of January 1, 2010, the calculation will be based on five years in both cases.

Year	Maximum qualifying income
2009	\$62,580
2008	\$61,260
2007	\$60,180
2006	\$58,560
2005	\$56,140

If you already have at least five years of membership in the plan, or expect that you will have at least five years before you leave the plan or retire, this amendment has no impact on your benefits under the plan.

How the average maximum qualifying income is applied

Under the current formula, the average maximum qualifying income is applied as follows to calculate your normal retirement pension:

1.5% of the average maximum qualifying income
multiplied by
 your average pensionable income ratio
multiplied by
 your pensionable service

Your “average pensionable income ratio” is the ratio of your pensionable income each year to the maximum qualifying income. If you have a pensionable income ratio of one (your pensionable income is equal to the maximum qualifying income) for five or more years, you will automatically receive the maximum pension based on your pensionable service.

We've got your number

If all these calculations have left your head buzzing, help is at hand. Your annual pension statement (mailed to your home) shows you the amount of pension you have earned to date and provides an estimate of your pension at retirement if you stay in the plan.

Those of you who enjoy a challenge and would like to see a detailed example of how the pension formula is applied, please refer to your pension booklet.

Staying the course

Pension plan shows signs of improvement

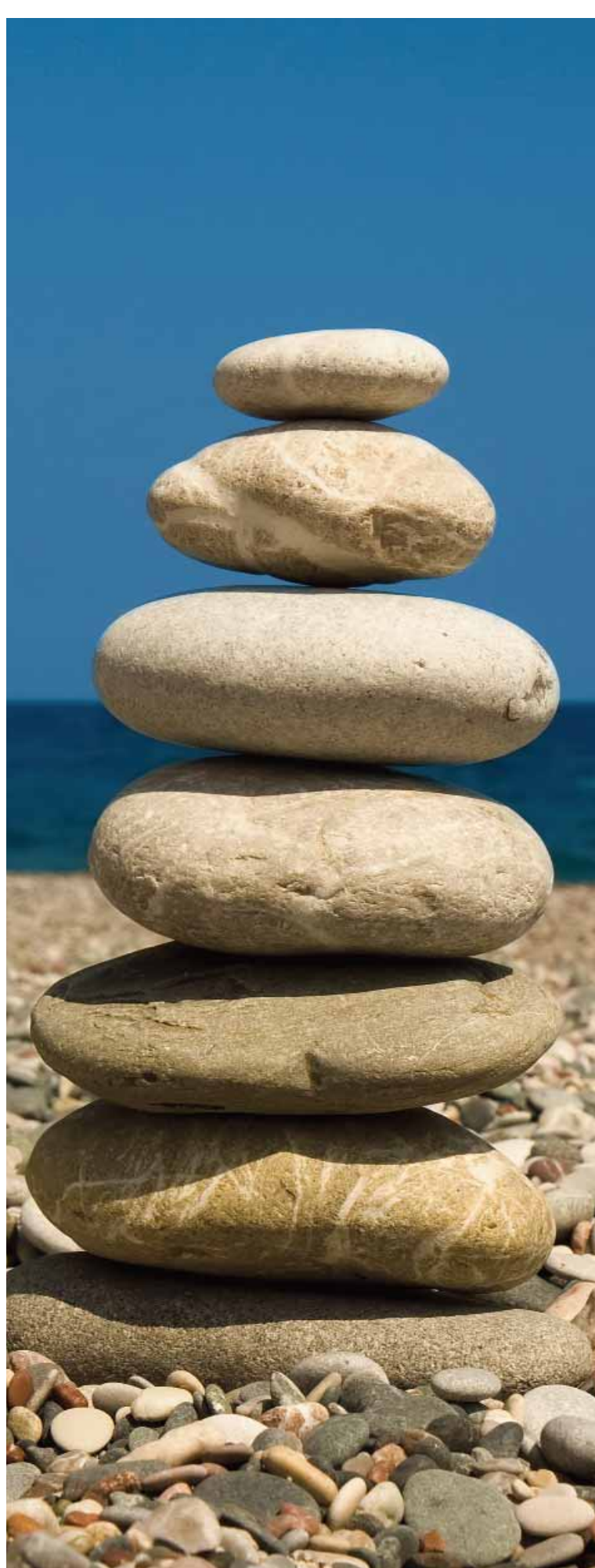
In the Spring 2009 issue of *Window*, we told you that 2008 was the worst year on record for Canadian pension plans. That downward trend continued in the early months of 2009. In fact, by the end of February, the wind-up funding level for the typical Canadian defined benefit pension plan fell to an all-time low of 61%. In other words, if the typical plan had closed down on that day, it would have been able to cover only 61% of the total pensions earned by its plan members.

Results for our plan

As reported earlier this year, our plan has performed better than most others on the investment front. We finished 2008 with an investment return of -11.7%, a significant loss, but better than the -16% to -18% average return for other Canadian pension plans. The returns in 2009, so far, have been more encouraging. Clearly, this is good news for our plan. However, the real measure of financial health for a pension plan is its funding status.

Every three years our actuary is required by law to complete a full review (“actuarial valuation”) of the funding position of our plan and file it with the Financial Services Commission of Ontario. The actuary’s job is to use probability and risk theory to decide the level of contributions required to keep the plan in good financial shape based on two different scenarios: going-concern and wind-up.

Going-concern	Solvency (wind up)
– looks at the plan’s funded status on the basis that the plan will continue to operate indefinitely.	– assumes that the plan suddenly stops operating as of the valuation date. It is intended to test whether the plan has sufficient assets to provide an immediate payout to all benefits that have been earned up to that date.



The previous valuation of the plan (at December 31, 2006) showed that it was in a surplus position (plan assets exceeded its liabilities) on both a going-concern and wind-up basis. The next valuation was not required to be filed until December 31, 2009, but due to the market conditions, we felt it was prudent to perform a valuation as of June 30, 2008 to get a better sense of the financial health of our plan.

Based on this most recent review, our plan had a \$12.3 million surplus on a going concern basis. However, on a wind-up basis, the funding level had dropped from over 100% to 92.3%. This means, if our plan had ended on June 30, 2008, only 92% of the total pensions earned could be paid out to our members. Of course, we don't expect our plan to end anytime soon and, despite the decline in the funding level, it is still considered to be in good financial health. Moreover, we don't have to increase plan contributions because we're actually already contributing a little extra to help improve the plan's funding position.

Impact on you

What does all this mean for you? Well, we've successfully weathered the most recent storm – so for now, it's business as usual. The Board will continue to keep a close eye on the plan's financial health—including the appropriateness of the plan's investments—and take whatever steps are necessary to make sure that we have a sustainable pension plan that is available for generations to come.

Group Life Insurance —

is there a change in your life that could change your group insurance coverage

You currently have a beneficiary named for your group life insurance coverage. However, it is a good idea to revisit your named beneficiaries with each life event. For example:

- birth of a baby
- adoption of a child
- newly blended family
- marital status change
- death of a dependent
- change in working status from part-time to full-time or full-time to part-time

Group life insurance includes basic life insurance, dependent life insurance, accidental death and dismemberment insurance and long term disability benefits.

An interesting age

In order to perform the pension plan valuation, the actuaries gather certain statistics about our employees, including the age of our plan members.

You may be interested to know that for the past few years, the average age of our active plan members has held steady at just over 50 years old. Not only does this suggest that a healthy number of younger ministers are entering the Church, but it is also good news for the plan—since an aging membership generally requires retirement benefits to be paid out that much sooner (and usually requires more money to be contributed to pay for these pension obligations). Let's hope this trend continues!

A life event such as changing your marital status from single to family will automatically provide you with additional dependent life insurance for your new spouse. Similarly, a change in your working status from part-time to full-time employment will increase the coverage of your basic life insurance, AD&D insurance and long term disability insurance according to your salary up to the annual maximum.

Keeping us informed

It is important to keep the Pension and Benefits office informed of any changes that may affect your life and dependent life benefits. Please contact us at pension@presbyterian.ca



Healthy Presbyterians = Premium Holiday for the Health and Dental Plan

The Health and Dental Plan of the Presbyterian Church in Canada has enjoyed a stable usage and claims pattern among its actively working membership since 2003. As a result, the premiums required by the congregations and other PCC employers with employees on the Health and Dental Plan was increased by less than one per cent each year.

A favourable claim trend continued in 2009 and premium costs will remain level for 2010. Therefore, the Pension and Benefits Board approved a 'premium holiday' for the month of December 2009.

This follows on the heels of early 2008, when the Pension and Benefits Board was able to grant congregations a premium holiday for the first quarter of 2008.

About this newsletter

This bulletin provides summary information about the Presbyterian Church in Canada pension and benefits plans. It is not intended to be complete or comprehensive, or to provide legal or medical advice. If there are any discrepancies between this bulletin and the wording in the legal documents that govern the plans, the legal documents will apply in all cases.

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