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Pensions and Benefits

[Statement of Principles, Philosophy, and Objectives regarding Retirement Income]

Introduction

The United Church of Canada ("the Church") has established and maintains a Pension Plan for persons in the service of the Church since its formation in 1925. Some of the Members of the Pension Plan were members of the founding Churches' plans which were established prior to 1925. Plans that have amalgamated with the Pension Plan over the years are:

a. the Provident Fund of the Congregational Church (1928);

b. the Superannuation Fund of the Methodist Church (1928);

c. the Lay Missionaries' Superannuation Fund of the Methodist Church (1928);

d. the Ministers' Widows' and Orphans' Fund of the Presbyterian Church in Canada (Eastern and Western Sections) (1928);

e. the Aged and Infirm Ministers' Fund of the Presbyterian Church in Canada (1929, 1955);

f. the Woman's Missionary Society Retirement Fund (1962);

g. the Pension Fund of the former Evangelical United Brethren Church (1968);

h. the Pension Fund of the former Evangelical United Brethren Church, Canada Conference (1968);

i. The United Church Publishing House Pension Fund (1973), and

j. The Lay Employees Pension Plan of The United Church of Canada (1985).

Until 1985, there were two plans--one for Ministers and one for Lay Employees. There were appreciable differences in the provisions of the two plans. These two plans were merged and consolidated into one plan to provide uniform benefits and contributions.

The Executive of the Department of Pensions and Group Insurance ("The Executive") has adopted the following Mission Statement for its own duties in administering the Church's benefit programs:

> "To represent the interests and responsibilities of the Church in securing the present and future financial well-being of persons employed within the Church, through the provision of cost effective pension and group insurance benefits that are:
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> - responsive to the fundamental needs of the members, their dependents and survivors;

- administered in a manner that demonstrates both compassion and efficiency, and
- communicated effectively to inform active and retired members of their rights and entitlements with respect to benefits and their opportunities with respect to general retirement planning."

In addition, the Executive has accepted for further study the recommendations of the Department's Task group on Survivor/Dependent Benefits, which included the following guiding principles:

- "Access to coverage should be as broad as possible, with the ultimate objective of allowing each individual member to define his or her needs for survivor and dependent benefits independently.
- Funding of survivor and dependent benefits should be primarily the responsibility of plan members. The employer's primary responsibility with respect to funding relates to benefits for the plan member, benefits which do not vary because of the existence of or characteristics of dependents or survivors."

Principles and Objectives

1. Scope of Retirement Income Arrangements

The Executive believes that arrangements should be made available for Ministry Personnel and Lay Employees to provide for their retirement income needs, and that the Church and the participating Employers should contribute to these arrangements, as appropriate.

Retirement income arrangements may include one or more of the following:

- private pension plans;
- thrift and savings plans;
- registered Retirement Savings Plans;
- government plans;
- any other arrangements that make provision for income after retirement.

Government plans include the Canada/Quebec Pension Plan (C./Q.P.P.) and Old Age Security (O.A.S.), and any such plans that may be established in the future.

The level of benefits and the extent to which the Employers and the Members should contribute to the Church-sponsored retirement income arrangements should be coordinated, explicitly or implicitly, with the level of benefits and cost of coverage under the government plans.

In addition to the required participation in government plans , the Church has chosen to sponsor a private pension plan to help meet the retirement income needs of those who are employed with the Church. Consistent with Christian principles, the Church-sponsored Pension Plan should be a contributory defined benefit plan and participation should be mandatory for all eligible employees.

2. Funding Policy

The Pension Fund requires a policy of stable funding of the Pension Plan in order to avoid any future need to fund deficiencies (either due to adverse experience or due to benefit improvements). In view of the funding base of the Church and its constituency, the Pension Plan should be fully funded at all times by the established level of contributions.

Any contributions required from Members should be affordable and tax-effective.

The Pension Fund should be managed prudently and should be evaluated according to reasonable standards. Investment goals should be set and the Fund should be managed so as to meet or exceed those goals.

3. Retirement Age

Normal retirement age should be established according to the practice for government and private sector schemes. Currently, this means age 65. However, Members should be given the opportunity to retire earlier than age 65, or to defer retirement beyond age 65, provided this is done on a basis that involves little or no additional cost to the Church. The Church also wishes to retain flexibility to provide special early retirement benefits where appropriate.

4. Full Service

The Church believes that any Member who retires with 35 or more years' service with the Church should have had the opportunity to accrue an adequate level of retirement income.

5. Adequacy of Benefits

Subject to the proportioning principle referred to in Section 7, "adequacy," when applied to retirement income, falls within the range defined by the following benchmarks:

a. maintenance of pre-retirement standard of living through retirement income from all sources, and

b. maintenance of basic income through retirement income from all sources (basic income being defined as income equal to the Ministers' Minimum Salary, or up to that amount where pre-retirement income was below the Minimum, e.g. part-time work, and some lay employee salaries).

It should be recognized that while "maintenance of pre-retirement standard of living" is the ultimate desirable goal, it may mean different income levels for different people. To this end, there should be sufficient flexibility for Members to plan for their own retirement income needs in order to attain the objective of "maintenance of standard of living." The Church should provide encouragement for Members to make such plans, particularly by encouraging and facilitating Members in their planning for retirement.

6. Maintenance of Real Value

The Church believes that retirement income from all sources should provide and maintain the real value of basic income. The Church also believes that the retirement income program must provide a significant element of income security, during retirement to Members as well as to eligible survivors. A significant portion of the retirement income should maintain its real value. The Pension Plan should, therefore, provide for periodic enhancement in benefits, with a bias toward enhancing lower benefits, to recognize the loss of purchasing power due to increases in the cost of living.

7. Proportioning Principle

There is a need to recognize that many Members will not spend their full working lifetime with the Church. In particular, the nature of the workforce is such that many

Members will have been hired in mid-life, and will therefore spend only part of their working lifetime with the Church. Accordingly, Members whose service with the Church is less than 35 years should be given the opportunity to accrue retirement income from the Church's plans proportionate to what they would have received had they completed 35 years of service with the Church at retirement. Furthermore, regular part-time Members should be treated on the same but proportionate basis as full-time Members.

8. Survivor Benefits

Retirement income should be payable for the remaining lifetime of the Member, with continuing income to eligible survivors, although the Member should be given other options that are consistent with legal and regulatory requirements.

9. Vesting

The Church believes that all accrued benefits should vest immediately in the Member, and while terminating Members may have a limited right to convert accrued benefits into taxable cash payments, they should be strongly encouraged to use their accrued benefit to provide retirement income.

10. Coordination

The retirement income arrangements should be coordinated with the Church's other benefits programs, primarily the life insurance and disability income plans.

Conceptually, benefits payable in the event of retirement, death or disability, which are part of the total compensation package, could be funded under one scheme. The Member would then receive benefits with respect to at least one of these contingencies. In practice, these various benefits tend to be funded under more than one vehicle. An example of such coordination is the continued accrual of pension credit under the Pension Plan during a period of disability.

11. Communication

The Church recognizes the need for, and value of, making financial and retirement planning information available throughout a person's employment with the Church. The information should be provided in practical and understandable formats and should be related both to the Church-sponsored plans and to financial and retirement planning in general.

Implementation and Monitoring

It is recognized that it may not be possible to fully meet all of the foregoing objectives now or in the future because of cost constraints and other considerations. Nevertheless, the Church's direction should be towards achieving the stated objectives. In so doing the Church must establish priorities. Furthermore, the design of the retirement income arrangements must recognize legislative and tax provisions as well as trends in the areas of taxation and legislation, developments with respect to government programs, and trends in private sector programs generally. The overall design should, therefore, be reviewed at least every five years, or earlier in the event of a major shift in the government benefit programs.

-- **Adopted by:** The Executive of the Department of Pensions and Group Insurance on this 24th day of January, 1996.

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