



Pension Newsletter

Issue 19, March 2012

Letter Details Changes in Effect January 2013

A letter sent in January to all members of the pension plan and employers details the changes approved by the Pension Board that will take effect next January. If you did not receive this letter, the contact information on file for you at the Benefits Centre may be incorrect. Please contact the Benefits Centre to confirm your mailing address and follow the steps outlined in the sidebar if it needs to be corrected.

You may request a copy of the letter from the Ministry and Employment Unit at the General Council Office (1-800-268-3781 ext 3161, PensionBoard@united-church.ca).

Changes to the Pension Plan

The Pension Board conducted a thorough review of your pension plan and explored changes to enhance its sustainability. Following careful consideration, the Board approved the following changes effective January 1, 2013:

- An increase in the contribution rate for plan members to 6 percent of pensionable earnings (currently 4 percent)
- An increase in the contribution rate for pastoral charges and other participating employers to 9 percent of pensionable earnings (currently 7 percent)
- A decrease in the accrual rate, the rate at which pension benefits are credited, to 1.4 percent of pensionable earnings (currently 1.7 percent)

No changes are being made to pension benefits currently being paid to members in retirement, or to benefits earned up to December 31, 2012.

Why Are the Changes Required?

Four external variables have a profound effect on the health of any defined benefit pension plan, including the United Church's plan: low interest rates, stock market decline, longer life expectancy and late enrollment in the plan. The defined benefit, the promise to pay a "set" pension benefit on retirement, depends on saving a specified amount of money to have ready to fund that pension at retirement.

The pension fund, the foundation of the pension promise, is subject to financial fluctuations and trends:

- Decline in the stock market: A loss in the value of stocks in companies means that holdings in the pension fund have lost value. The result is that the value of the fund itself has shrunk in the past few years.
- Interest rates lower: As rates of return are lower, the cost of the pension promise increases. This means that more money is required to be put aside now to fund the future promised pension benefits. Increasing contribution rates will add much needed sustainability to the fund.

The investment market challenges are significant enough; however, population trends must also be added to the equation:

- Life expectancy: Simply put, people are generally living longer than when pensions were originally designed. Again, this means more money is required to fulfill the pension promise.
- Late enrollment in the plan. Career paths are different than in years past. Many are called to ministry later in life. Contributions from late entrants don't have as much time in the fund to generate revenue (through investment return) to pay for the full benefit due on retirement.

In the past, a good balance existed between early entrants, late entrants, early leavers, and long retirements. Trends such as late enrollment and longer life spans aren't expected to suddenly reverse, however. Together, the impact of the four external variables meant the Pension Board had to adopt changes sufficient to build sustainability into the pension plan.

To stay informed about the Pension Board's ongoing work, continue to read Foresight, the newsletter of the Pension Board, as well as the Pension Plan's annual report, due out in June. You may also go to the United Church's website at www.united-church.ca/minstaff/pension.

Updates to Address Information

Active Members: Contact your treasurer or payroll administrator, who will do one of the following:

1. Complete the New/Change Employee sheet and fax it to the payroll service provider (ADP).
2. Contact the Benefits Centre directly to update the address (if not using the payroll service).

Pensioner Members: Contact the Benefits Centre directly at 1-866-859-5025.

E-mail update? See below.

E-mail Notification

To receive e-mail notice about Foresight (three annual e-mails, plus one for the annual report), make sure that your current e-mail address is in your profile at the Benefits Centre.

Call the Benefits Centre at 1-866-859-5025 or go online at <http://ybrcanada.hewitt.com/ucc> and update the field directly.

Contacts

Policy and governance questions are welcome at 1-800-268-3781 ext. 3161. Send your query by e-mail to PensionBoard@united-church.ca.

For specifics of your pension, call the Benefits Centre at 1-866-859-5025.

Pensioners should direct benefit payment questions to RBC Dexia at 1-800-668-1320.

You may have heard:

Recently the United Church pension plan was invited to lead a class action lawsuit associated with allegations of fraud attributed to Sino-Forest, a firm in which the pension fund used to be invested. Because the commitment to such an undertaking would have been considerable over several years, the invitation to lead such an action was declined. The Pension Board is diligent in advocating for corporate good governance and financial transparency in other ways.