



# ECKLER



## Sheet Metal Workers Local Union 30 Pension Plan

### Pension Plan Update

May 4, 2019  
Domenic Barbiero, FCIA, FSA, Principal

# Agenda

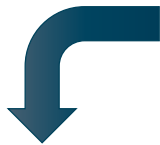
- Background
- Investment review
- Plan experience
- How the plan is doing
- Legislative update

# How the plan works

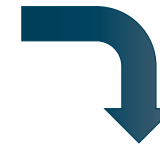
**Contributions**  
(current journeyman  
rate of \$9.41/hour)

+

**Investment Income**  
(6.38% target net of  
investment expenses)



**Non-Investment Expenses**  
(about 0.15% of assets)



**Pension Payments**  
(about 5% of assets)

# Plan funding and valuations

*Valuation = a test of the plan's financial health*

## Solvency

- Assumes plan suddenly stops
- Based on market conditions

## Going Concern

- Assumes plan continues
- Based on long term assumptions

Valuation date

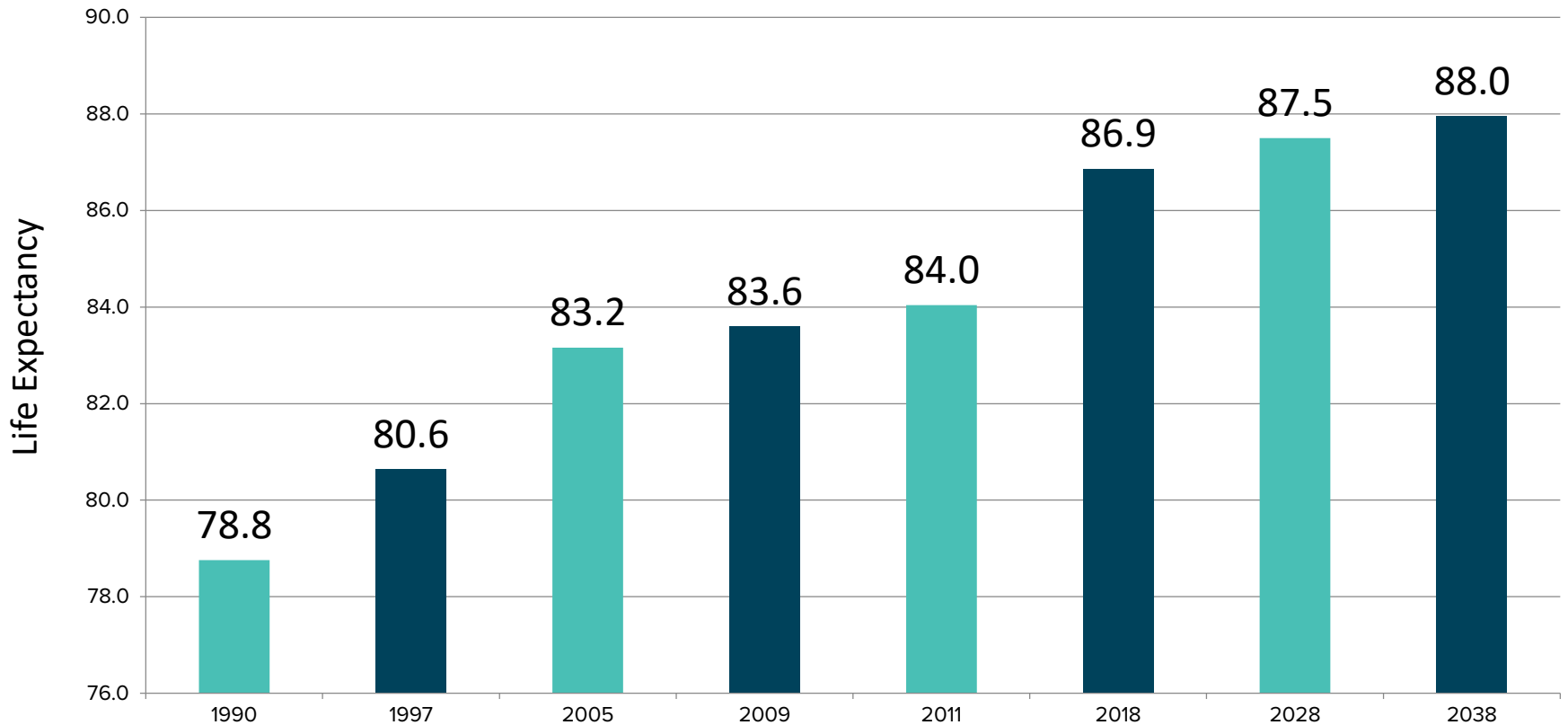
# Factors impacting plan funding

A number of factors impact plan funding, including:

- Investment returns
  - Current contributions are invested and grow to amounts required to pay future pensions
- Long-term interest rates
  - When interest rates drop, more money is required to provide promised pensions
- Life expectancy
  - Impacts how long pensions will be paid. Longer life expectancy translates into longer pension payouts (and costlier pensions)

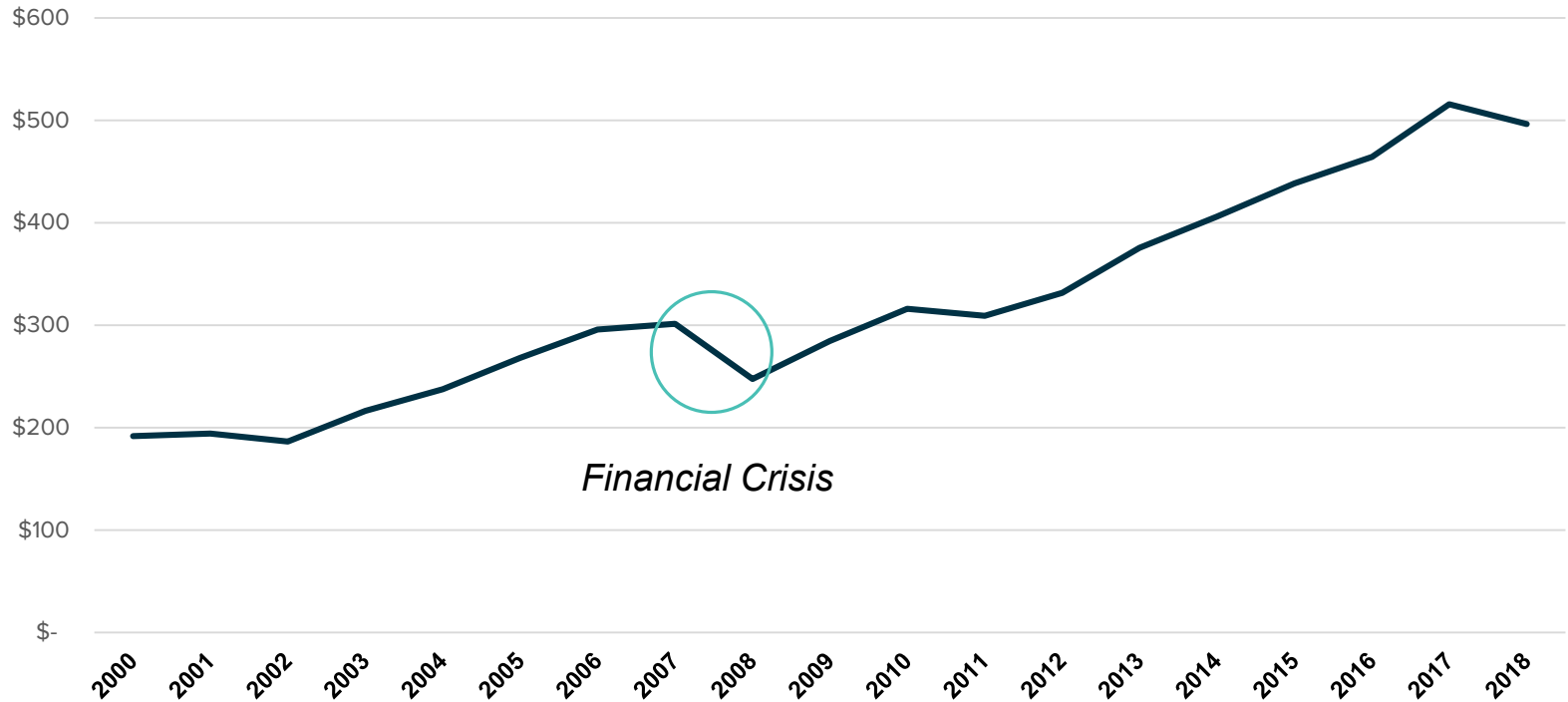
# Trends in life expectancy

## Life expectancy of a 60-year old male



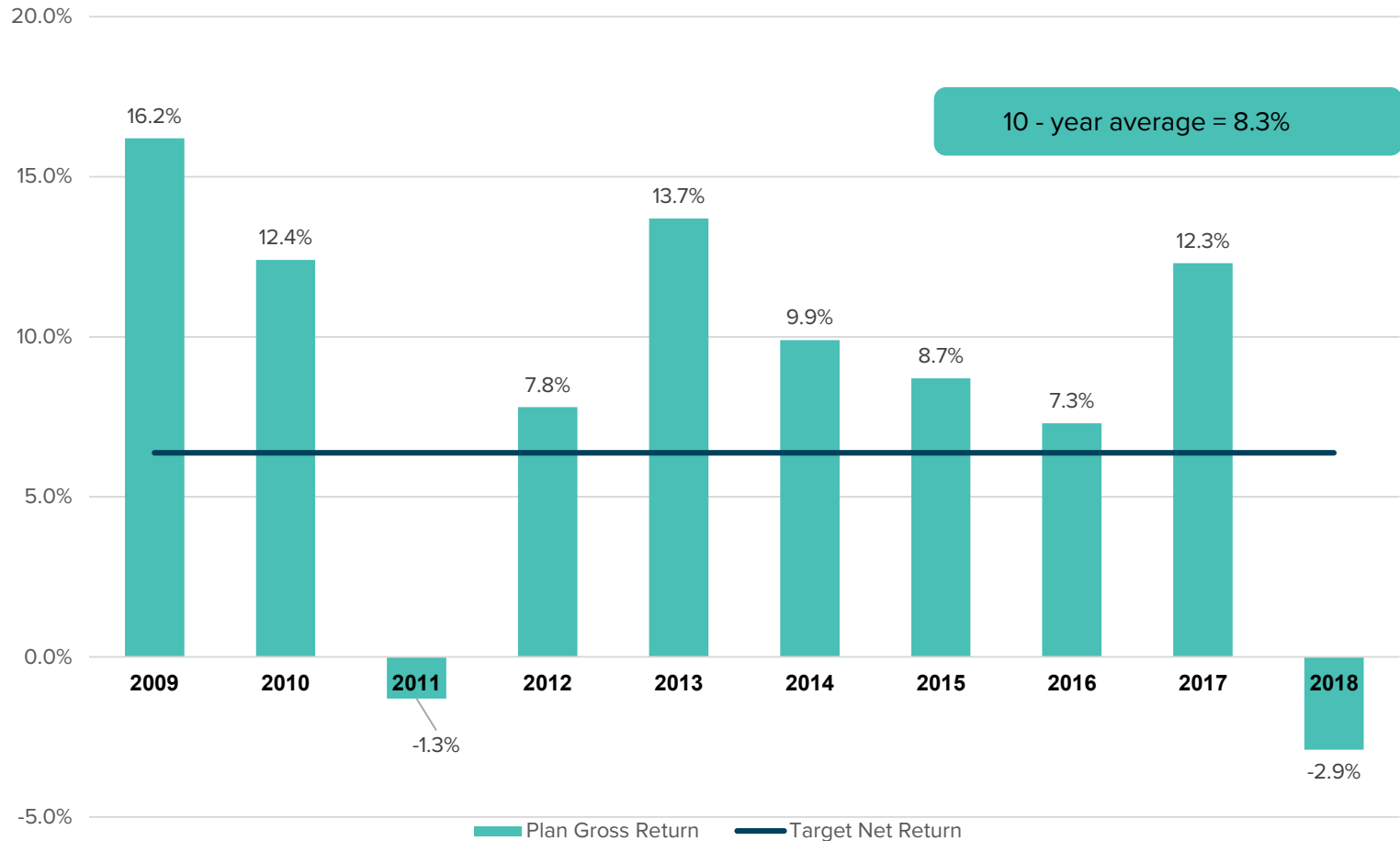
# Plan Asset Growth

## Plan Asset Size (\$ millions)



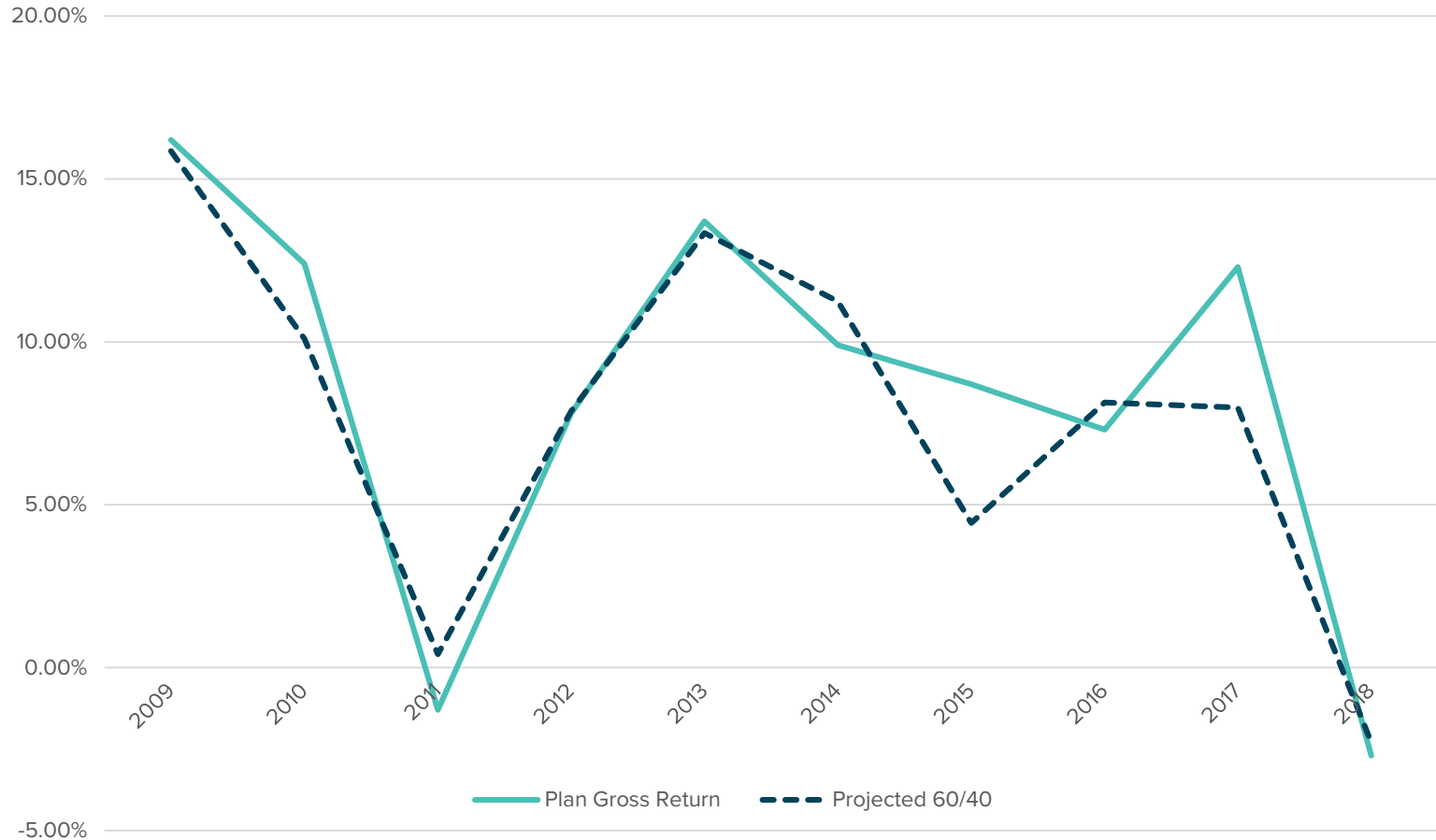
***Significant asset growth over the last several years***

# Pension fund returns





# Comparison to typical plan returns



Assumes target asset mix of 60% equity and 40% fixed income for typical plan

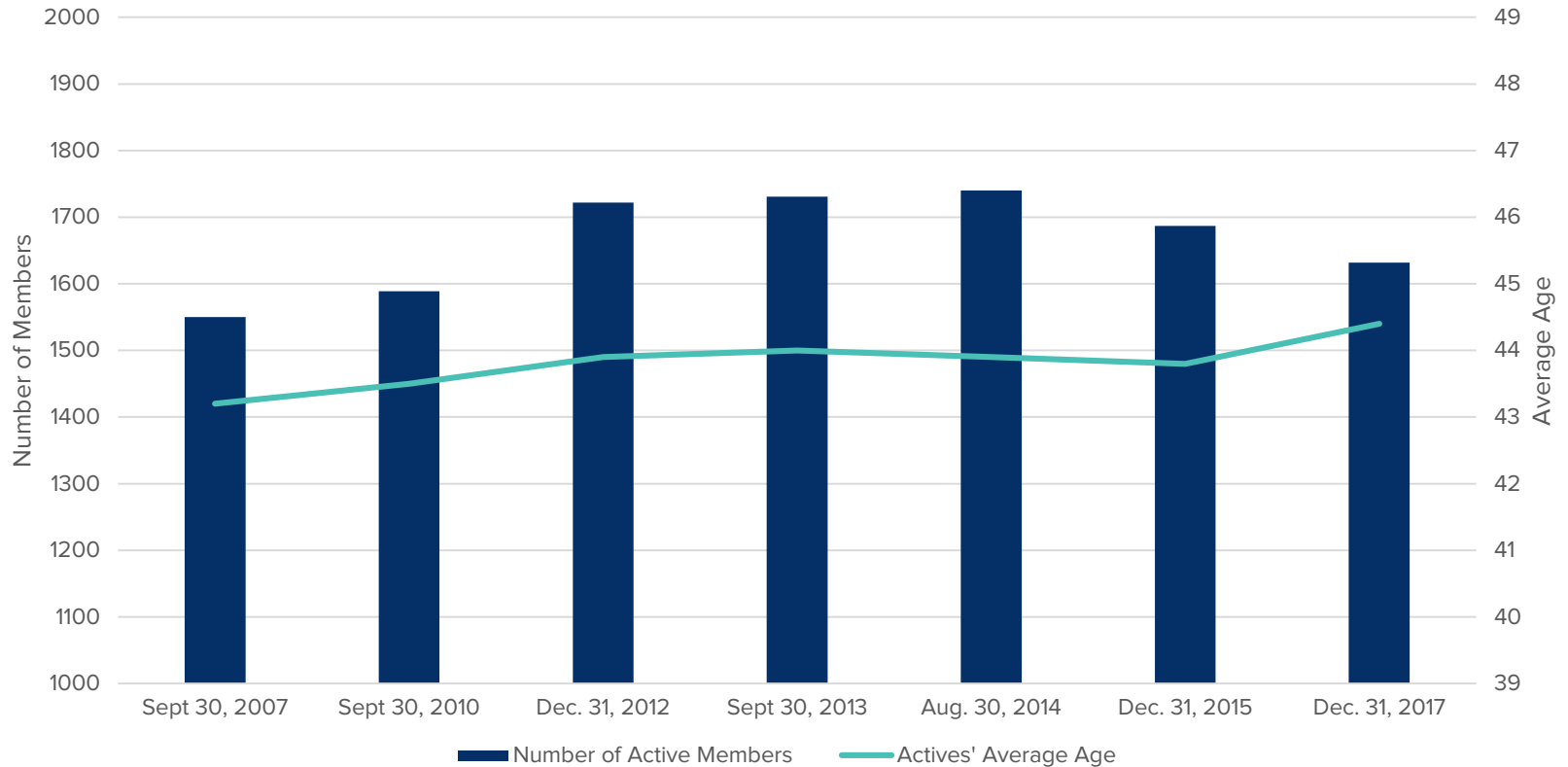
# Data Summary

	December 31, 2015	December 31, 2017
<b>Active Members</b>		
Number	1,687	1,632
Average Age	43.8	44.4
Average Accrued Monthly Benefit	\$1,784	\$1,925
<b>Inactive Member</b>		
Number	87	86
Average Age	43.6	43.6
Average Accrued Monthly Benefit	\$1,142	\$1,208
<b>Retired Members and Beneficiaries</b>		
Number	1,532	1,557
Average Age	74.6	75.0
Average Lifetime Monthly Benefit	\$1,001	\$1,114
Average Bridge Monthly Benefit	\$558	\$575
<b>Deferred Vested Members<sup>1</sup></b>		
Number	1,049	974
Average Age	51.9	51.9
Average Accrued Monthly Benefit	\$423	\$523

<sup>1</sup>Includes deferred spousal pensioners

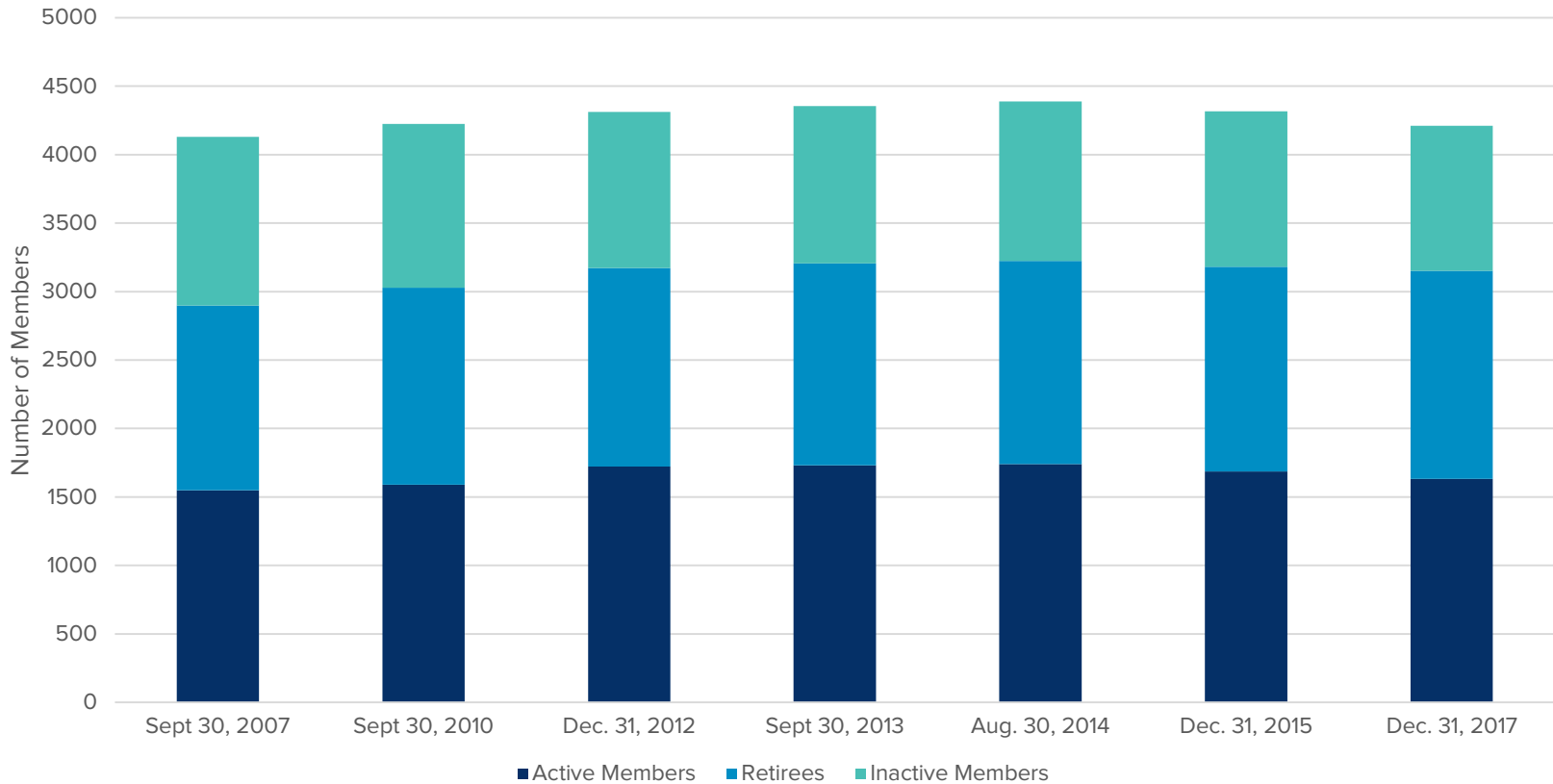
# Membership trends

## Active membership over time

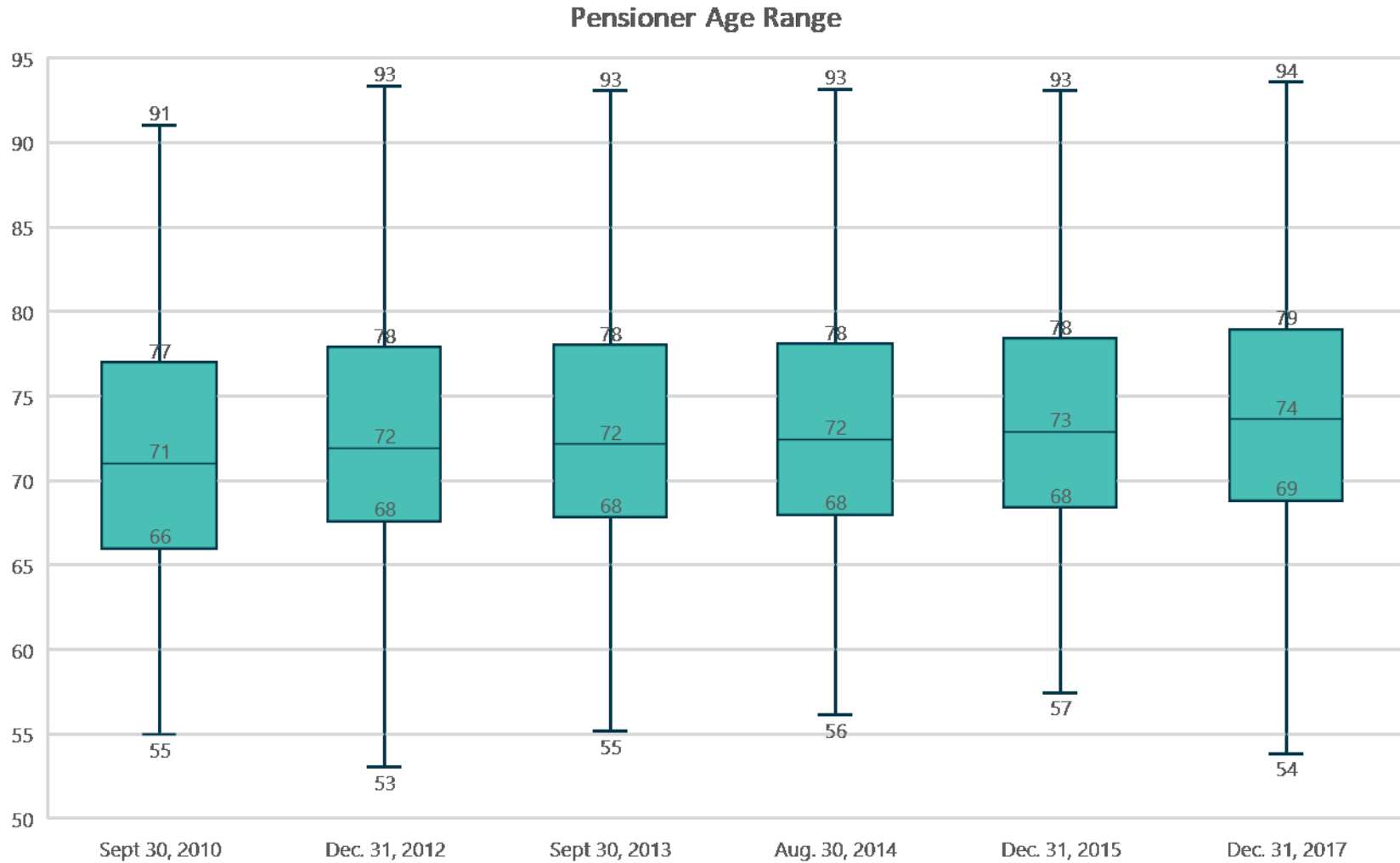


# Membership trends

## Total membership over time

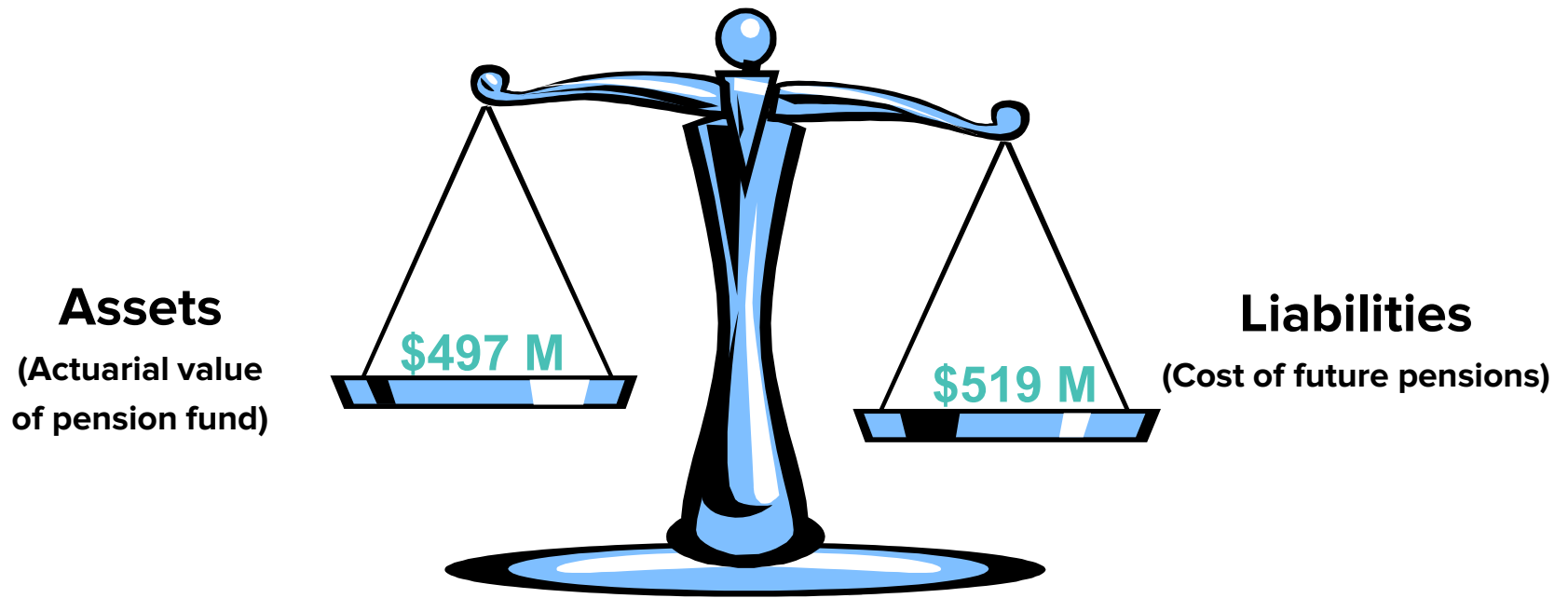


# Pensioner age range



# Going Concern Valuation

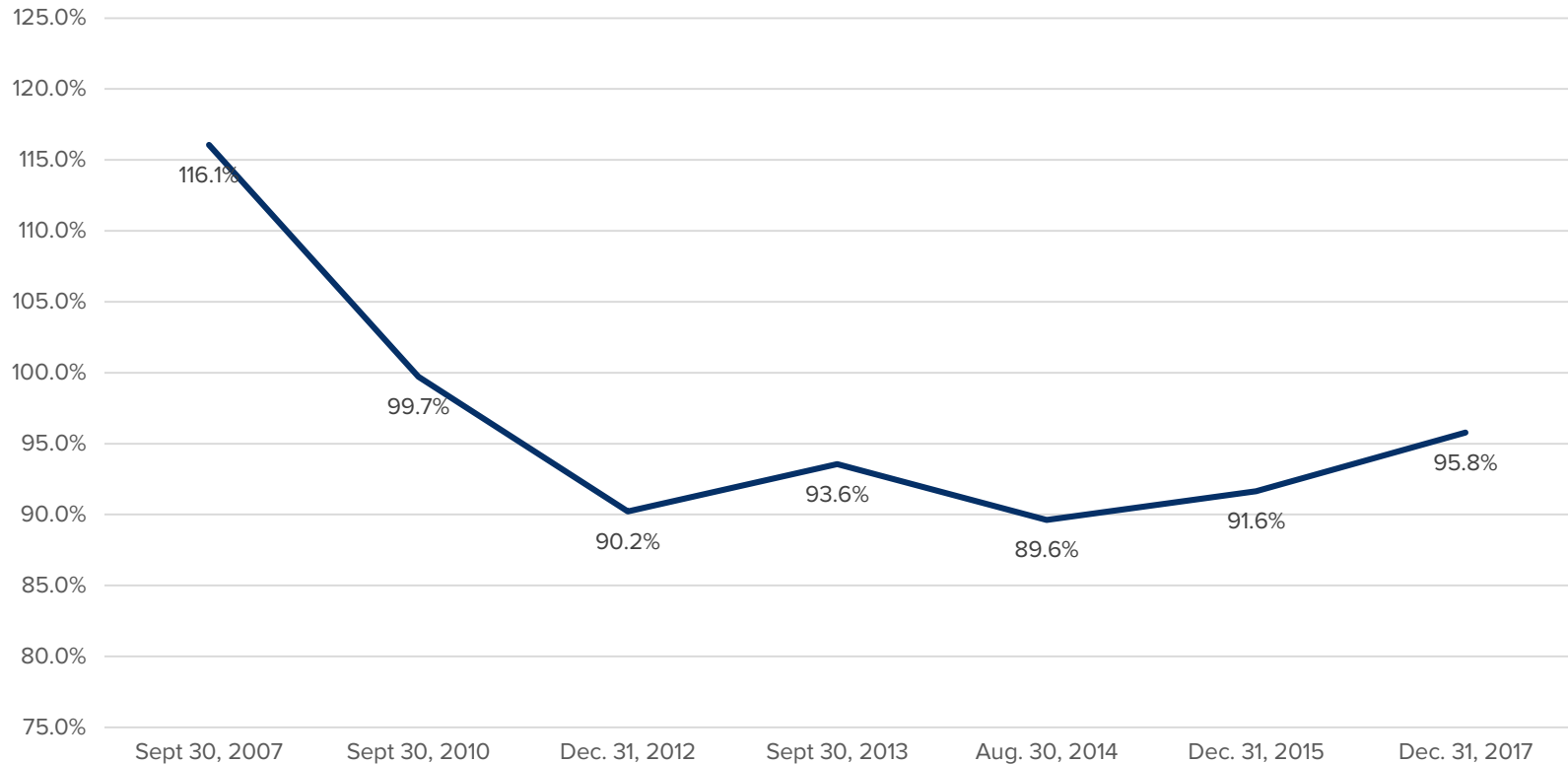
As of December 31, 2017 – liabilities greater than assets



\$22M deficit - 95.8% funded  
(est. \$21M shortfall – 96.2% funded at Feb. 28, 2019)

# Going concern valuation

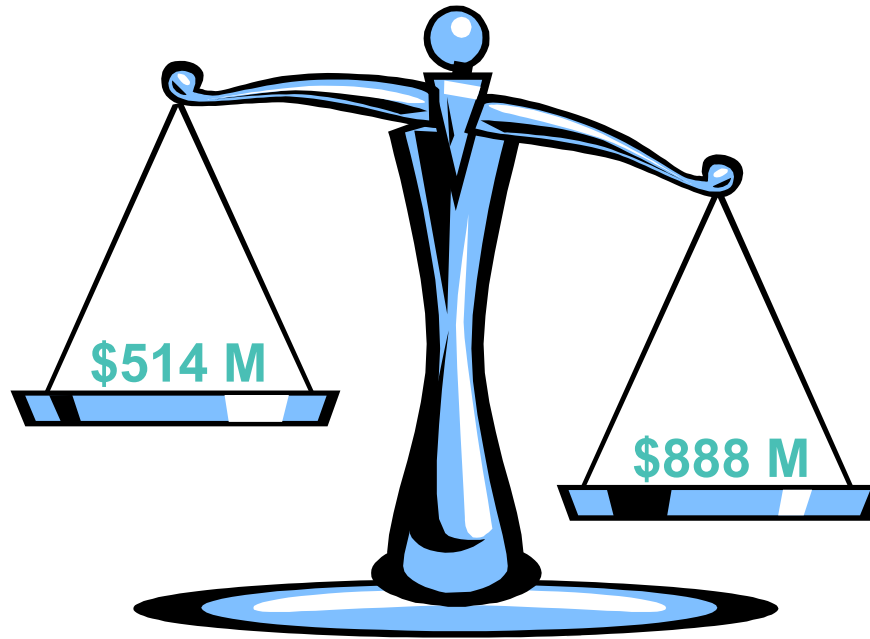
## History of going concern funded position (assets ÷ liabilities)



# Solvency Valuation

As of December 31, 2017 – liabilities greater than assets

**Assets**  
(Market value less  
wind-up expenses)



**Liabilities**  
(Cost of immediate wind-up)

\$374M shortfall - 58% funded  
(est. \$400M shortfall – 57% funded at Feb. 28, 2019)



# Plan Funding (at December 31, 2017)

- **Plan's Going Concern funded ratio now 95.8%**
  - Funded position has continued to improve over last number of years despite challenging environment for pension plans
    - Driven by strong contribution levels and investment returns
- **Solvency funded ratio is 58%**
  - No solvency funding required because plan is registered as a Specified Ontario Multi-Employer Plan (SOMEPP)
    - Makes sense for multi-employer plans
    - Highly unlikely for all employers and plan to shut down
  - Estimated solvency funded ratio would change from approximately 58% to 69% if interest rates went up by just 1%

# Legislative update

- SOMEPP exemption is temporary and will be expiring January 1, 2024
- Previous Ontario government released proposal for target benefit MEPPs that would provide permanent exemption from solvency funding
- In exchange requires that the plan fund a reserve to help protect against future investment or other losses

# Legislative update (cont'd)

- Fully funded reserve required before any past service improvements can be implemented
  - Plan would need to be 114.5% funded after benefit improvement
- Includes new rules for calculating benefits when a member stops participating and leaves the plan
- No further information released since new government elected
  - Recent budget confirmed still working towards new rules

# Question?

