

CSU LTD Plan Premium Rate Information

The City of Edmonton and the Civic Service Union 52 (CSU 52) LTD Advisory Committee met to review the 2018 LTD actuarial report prepared by AON for the year ended December 31, 2018 to determine the financial position of the Plan. The Committee's role is to review the actuarial valuation report and make recommendations, on an annual basis, to the Plan Administrator on adjustments to the existing premium rate, on cost of living adjustments to LTD benefits in pay, if financially prudent, and on the disposition of any surplus.

The number of claimants on the CSU 52 LTD plan until 2016 remained approximately the same with an average of 112 claims per year. Since then, there has been an increase of 59 claimants in the last two years bringing the total claimants to 174 at December 31, 2018 from 115 at December 31, 2016. The significant increase in claimants has increased the projected costs by almost 26%. If the upward claims experience continues as it has over the last two years, then the contribution rates can be expected to see an upward trend.

In addition to the increased projected costs, the assets saw very little growth (increase of about 1.8%). Asset growth can be attributed to employee contributions and investment earnings. The assets grew minimally, primarily due to poor market performance in 2018 and a contribution refund in 2016. The minimal asset growth and the significant cost growth has left the CSU 52 LTD Plan in a deficit position at December 31, 2018 after funding the Rate Stabilization Fund (RSF).

The RSF was established to protect the LTD Fund from adverse experience such as the significant increase in claims over the last two years. When annual costs exceed the contributions and investment earnings taken in, the additional costs are paid from the RSF.

Because of the significant increase in the number of claims in the last two years, the current premium rate of 1.91% of pay is no longer sufficient. The actuary has calculated that a rate of 2.63% of payroll will be sufficient to provide for expected new claimants and expenses incurred in the year following December 31, 2018. In accordance with the Funding Policy for the Plan and the results of the actuarial valuation, the recommended range for the premium rate is 2.37% to 3.02%. As the Plan is in a deficit position of \$4,107,000 after funding the Rate Stabilization Fund and given the requirements of the Funding Policy, the CSU 52 LTD Advisory Committee announced the following changes:

1. Premium Rate

The amount of the bi-weekly premium rate paid by CSU 52 employees to fund the LTD Plan will **increase to the calculated rate of 2.63% of pay**. The increase in the premium rate will be effective June 23, 2019 and reflected on the employee's July 16, 2019 pay cheque.

2. Cost of Living Adjustment (COLA) for Current LTD Recipients

The past number of years have seen cost of living increases granted to LTD recipients' benefits in pay because the Plan was experiencing fund surpluses. As the fund at December 31, 2018 is in a deficit position after funding the Rate Stabilization Fund, a cost of living increase cannot be granted as per the Funding Policy.

If you have any questions about these recommendations, please contact Lorraine Wohland at 780-496-7858 and/or CSU 52 at 780-448-8900.



Lorraine Wohland
LTD Advisory Committee
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