

PENSION UPDATE

**For members of the Pension Plan for Employees of FortisBC Energy Inc.
(the “FEI Plan”)**

Newsletter: September 2019

**Member and Employer Contribution Rates to Increase from
8.1% to 8.7% effective October 1, 2019
Actuarial Valuation as at December 31, 2018 Completed**

British Columbia pension legislation requires an actuarial valuation for pension plans be conducted every three years. An actuarial valuation assesses the funded status of a pension plan at a particular point in time. Recently, an independent actuary from Willis Towers Watson completed the FEI Plan’s triannual actuarial valuation measured as at December 31, 2018. As a result, the cost of funding the FEI Plan will change effective October 1, 2019.

Contribution Requirements

The cost of funding the FEI Plan is shared equally between plan members and FortisBC. The FEI Plan is a defined benefit pension plan and the cost of providing the promised benefits will fluctuate over time. The FEI Plan’s funding is dependent on several factors, including investment performance, the prevailing interest rate environment, pay increases, member mortality rates and legislation.

Based on the results of the December 31, 2018 valuation, the actuary recommends that the total contribution rate increase from 16.2% of plan earnings to 17.4%. These funding requirements will continue to be shared equally by plan members (8.7%) and the company (8.7%). The new contribution rate of 8.7% will take effect on the first pay period in October 2019. Please remember that your pension contributions are tax-deductible. For more information on the contribution rate change, please see the Valuation Results section on page 2.

Ancillary Account

Under the FEI Plan, the ancillary account provisions allows members to make voluntary contributions to the plan. These voluntary contributions can be used to enhance your pension on retirement. The Income Tax Act permits total member contributions up to 9.0% of pay. Since the required member contribution rate is increasing, the ancillary contribution room will be limited and will change from a maximum of 0.9% to 0.3% as of the first pay period in October 2019. If you are currently making ancillary contributions through payroll deduction at a rate greater than 0.3%, we will automatically adjust your bi-weekly ancillary contribution deduction to 0.3%. If you are interested in opening an ancillary account, changing your bi-weekly deduction rate, or have questions, please contact the pension department.

THE JOINT PENSION COMMITTEE

The Joint Pension Committee (the “JPC”) oversees the governance and administration of the FEI Plan, and reports up to the Executive Pension Committee. The JPC is comprised of the following four employee representatives and four company representatives:

Employee Representatives:

Bea Bains
Janet Green
Christopher Huang
Joyce Ng

Company Representatives:

Lee Beran
Elizabeth Gorman (chair)
Doug Slater
James Wong

Plan Membership:

Valuation Date	31-Dec-2018	31-Dec-2015
Active Members		
Number	835	692
Average Age	44.5	43.9
Terminated Vested Members		
Number	82	46
Average Age	45.3	44.4
Retired Members		
Number	110	77
Average Age	64.9	63.1

The actuarial valuation assesses the funded status of the FEI Plan under two distinct measures: going concern funding, and solvency funding.

Going Concern Valuation:

The going concern valuation assesses the funded status of the FEI Plan on the valuation date, assuming the plan continues indefinitely into the future. As the going concern valuation is forward looking it uses interest rates based on the FEI Plan's long-term expected return on investments.

Solvency Valuation:

The solvency valuation compares the FEI Plan's assets against the cost of settling all benefits had the FEI Plan been terminated on the valuation date. The solvency valuation uses prescribed interest rates necessary to settle benefits on the valuation date. The FEI Plan's solvency funded status improved from 85% as of December 31, 2015 to 89% as of December 31, 2018. This means that if the FEI Plan were terminated and all benefits settled on December 31, 2018 the FEI Plan assets would cover 89% of the promised benefits.

Valuation Results

The following table provides highlights of both the Going Concern Valuation and Solvency Valuation results:

As can be seen in this table, the FEI Plan is fully funded on a going concern basis and close to fully funded on a solvency basis. However, while the funded ratios of the FEI Plan have both improved since December 31, 2015, the dollar value of the solvency deficit has increased from around \$12.8 million to around \$14.3 million. This increase in the solvency deficit is the main driver in the increasing contribution rate. The FEI Plan may continue to experience a trend such as this (i.e. improving solvency ratio at the same time as the solvency deficit increases) until it becomes more mature. It is expected that the asset base will eventually grow to such a level that investment returns will help to offset the increasing solvency deficit, thereby stabilizing the contribution rates.

Valuation Date	31-Dec-2018	31-Dec-2015
Going Concern Valuation		
Assets	\$121,751,000	\$73,244,000
Liability	<u>108,007,000</u>	<u>70,564,000</u>
Surplus/(Deficit)	13,744,000	2,680,000
Funded Ratio	113%	104%
Solvency Valuation		
Assets	\$115,140,000	\$71,994,000
Liability	<u>129,426,000</u>	<u>84,815,000</u>
Surplus/(Deficit)	(14,286,000)	(12,821,000)
Funded Ratio	89%	85%

Future Contribution Requirements

The next actuarial valuation for the FEI Plan must have an effective date no later than December 31, 2021 and will be based on plan and economic conditions at that time.

Did you know..... additional Plan information can be found on the [Connector](#), including a copy of the Employee Handbook, beneficiary change form, and prior communications.

Do you have additional pension questions?

Contact the pension team: Donald Walker: 604.592.7966 or Natasha Gill: 604.592.7546