

## **City of Edmonton's Management Association (CEMA) Long Term Disability Plan 2021 Premium Rate and Cost of Living Adjustment**

The City of Edmonton and the City of Edmonton's Management Association (CEMA) LTD Advisory Committee met to review the 2020 LTD actuarial report prepared by AON for the year ending December 31, 2020 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, possible contribution refunds and to LTD benefits in pay.

The number of claimants on the CEMA LTD plan from 2010 to 2017 remained approximately the same with an average of 15 claims per year. In 2018, there were 9 additional claimants, bringing the total claimants to 21 as of December 31, 2018. In 2019 and 2020 there remained 23 total claimants at December 31 for each year. A small LTD plan such as the CEMA LTD Plan is very sensitive to increased risk if the number of claims grows and the corresponding liabilities affected by the demographics and salaries of those claims increases. Due to this upward trend year over year, there has been an increase in liabilities to the plan changing our surplus before the Rate Stabilization fund of \$2,168,000 at December 31, 2019 to \$1,655,000 at December 31, 2020

In addition to the increased liabilities, reserves have increased due to assumption changes and ongoing claims experience. The plan remains in a surplus position; however, the Rate Stabilization Fund (RSF) remains not fully funded at 0.93. In accordance with the Funding Policy, the range for the contribution rate is 0.99% to 1.27%.

Due to the change of surplus and increased liabilities, the current premium rate of 0.87% of pay is no longer sufficient. The actuary has calculated that a rate of 0.95% of payroll will be sufficient to provide for expected new claimants and expenses incurred in the year following December 31, 2020. In accordance with the Funding Policy for the Plan and the results of the actuarial valuation, the recommended range for the premium rate is 0.87% to 0.95% three year increase. As the plan is in a deficit position of \$762,000 after funding the Rate Stabilization Fund and given the requirements of the Funding Policy, the CEMA LTD Advisory Committee announced the following changes:

### **1. Premium Rate**

The amount of the bi-weekly premium rate paid by CEMA employees to fund the LTD Plan will be at a three year rate increase to **0.95%** of pay (current is 0.87% of pay) effective July 18, 2021. This increase will be reflected on members' August 10, 2021 pay.

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, 2020 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 Stacie Klimosko at 780-496-5312 and/or CEMA at [cemacoordinator@gmail.com](mailto:cemacoordinator@gmail.com)



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Stacie Klimosko  
LTD Advisory Committee  
Representing the City

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