

June 19, 2019

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## Potential Merger of Collective Agreements - Pension Issues

Dear Cindy:

The purpose of this letter is to provide our suggestions for protecting plan members in the COPE-FortisBC Pension Plan ("Electric Plan") after the combination of the two collective agreements for MoveUP members employed by Fortis Gas and Fortis Electric. Fortis Gas employees currently join the FortisBC Energy Inc. Pension Plan for IBEW and COPE ("Gas Plan"). Our suggestions are:

1. Fortis should maintain a certain minimum number of active members in the Electric Plan, excluding members on LTD. This can be measured every 3 years when the actuary does the actuarial valuation. A useful minimum number of members would be 143, which is the number of active Electric Plan members as at December 31, 2018.
2. Fortis should clearly define which future employees would join the Gas Plan, and all other future hires would join the Electric Plan.
3. The other key metrics that could be measured every 3 years in the Electric Plan to make sure they don't move significantly are: average age of active members, gender split of active members (% female), average earnings of active members (after allowing for collective agreement increases).
4. The items under #3 above could all be combined into one key metric of interest for the Electric Plan: the total Normal Cost of benefits. The Normal Cost is calculated every 3 years as part of the actuarial valuation and could be calculated every 3 years starting on December 31, 2018, with any future increase in this cost borne by Fortis. The last time this number was calculated was as at December 31, 2016 and the amount was 21.2% of Plan Earnings. Assuming this is the same number as at December 31, 2018, my suggestion is that if, for example, the total Normal Cost of benefits increases to 22.2%, then Fortis would be responsible for the additional 1.0%. Note that the Normal Cost can be impacted by the actuarial assumptions, so you could specify that the calculation as at December 31, 2018 and in future years would be done using the same set of assumptions throughout.
5. Note that your Gas Plan members may also want consideration of #4 above for the Gas Plan. The complication is that the Gas Plan membership demographics will also be impacted by IBEW213 members.

I trust that you find the foregoing to be helpful. Should you have any questions or require anything further, please do not hesitate to contact us.

Sincerely,



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