

## THE PENSION COMMITTEE

### To the Members of the General Synod:

The Pension Committee is responsible for the following pension and benefit plans:

1. *The General Synod Pension Plan (Canon VIII)*
2. *The Lay Retirement Plan (Canon IX)*
3. *The Long Term Disability Plan (Canon VIII)*
4. *The Pension Endowment Funds (Canon VIII)*
5. *The Group Employee Benefits Program*
6. *The Self Insured Death Benefit Plan*
7. *The Continuing Education Plan (Canon XII)*

The following is a summary of the work of the Pension Committee during the period June 2013 to March 2016.

### 1. THE GENERAL SYNOD PENSION PLAN (GSPP)

The General Synod Pension Plan (GSPP) is a defined benefit multi-employer plan and is registered with CRA (Canada Revenue Agency) as a SMEP (Specified Multi-Employer Plan).

The Plan membership is currently composed of 68% pensioners and deferred pensioners and 32% actively contributing members. The average age of the active members continues to increase. The current average age is 52.8 years.

#### Actuarial Valuations

Cameron Hunter, the actuary has completed and filed the 2014 valuation.

Valuation results: Going Concern (\$000s)

	Dec 31, 2013	Dec 31, 2014
Actuarial value of assets	\$611,441	\$655,428
Total liabilities	\$632,771	\$642,125
Going concern excess / (deficiencies)	(\$21,330)	\$13,303
Funded ratio	96.6%	102.1%

Valuation Results: Wind-Up (\$000s)

	Dec 31, 2013	Dec 31, 2014
Wind-Up assets	\$688,874	\$748,936
Wind-Up liabilities	\$761,675	\$879,780
Wind-up excess / (deficiencies)	(\$72,801)	(\$130,844)
Transfer ratio	90.7%	85.3%

### Valuation Results: Solvency (\$000s)

	Dec 31, 2013	Dec 31, 2014
Solvency assets	\$620,594	\$654,178
Total solvency liabilities	\$773,174	\$810,817
Total solvency excess / (deficiencies)	(\$152,580)	(\$156,639)

### **Solvency Funding Status – Update**

In order to consider temporarily exempting the GSPP from solvency funding, we were required to satisfy the following conditions during the 6-month window; May 30 – Nov 30, 2013

- Members must consent to the temporary solvency exemption by a 2/3 majority in each group of active members, retired members and former members.
- The Board of Trustees must develop a timeline for implementing plan changes to address the funding challenges during or soon after the end of the 6-month period.
- The GSPP must contact the federal Department of Finance to discuss an increase to the 18% maximum pension contribution.

Pension Office developed materials and process to survey all GSPP beneficiaries' approval for solvency exemption. Members were required to be given at least 45 days to respond. The proposed communication to the members and the voting card was reviewed and finalized by the Trustees. Ministry of Finance was provided a copy of the communication materials for approval before sending to beneficiaries. The communication was mailed out during the last week of July 2013. The result of the voting was communicated to the Ministry of Finance on September 13, 2013. The result of the voting in favor of solvency exemption as at October 10, 2013 was Actives – 85%, Inactives – 62%, Retirees – 89%. The Board of Trustees sent a letter to the Ministry of Finance explaining timeline for implementing plan changes and also to CRA, requesting increased contributions be permitted.

The Minister of Finance was satisfied with the results of the voting for solvency funding relief. Judy Robinson was informed by the Ontario Ministry of Finance, that the long-awaited Regulation granting temporary solvency funding relief to the GSPP has been filed and passed into law.

- Actuarial valuations required 2013, 2014 & 2015 without funding solvency shortfalls
- Benefit improvements are not permitted while a solvency shortfall exists (unless legally required)
- All plan beneficiaries must be sent a notice indicating the special funding treatment granted
- Annual progress reports must be sent to all plan beneficiaries

### **General Synod Pension Plan – Investment Performance**

The market value of the assets of the GSPP at December 31, 2015 was \$755.6 million. The total fund return in 2015 was 7.6% compared to the benchmark of 6.5%.

➤ Total Fund

	2015-Q4	1 year	4 years	10 years
Total Portfolio	3.7%	7.6%	13.1%	7.4%
Benchmark	3.6%	6.5%	10.3%	6.5%
Excess Return	0.1%	1.1%	2.8%	0.9%
Quartile in the Mercer's Universe of Balanced Fund Managers	Q1	Q1	Q1	Q1

**Environmental Social Governance (ESG)**

The Trustees are following ongoing developments and decisions in both the Corporate and Church worlds with regard to ESG. In addition, when the Trustees meet with the Plan's investment managers, they discuss the investment manager's processes for evaluating and integrating ESG factors in investment decisions.

The General Synod Pension Plan's Statement of Investment Policies and Procedures (SIPP) include the following references to the consideration of ESG factors by the Plan's investment managers.

*"The Board of Trustees, in fulfilling its legal and fiduciary obligations, shall undertake, at all times, to make decisions based on the best interests of the plan beneficiaries. Consistent with these obligations, the Board of Trustees believes that sound corporate governance practices are essential to the well-being of the companies in which the Fund invests and their shareholders. Responsible corporate behaviour, which includes high ethical and environmental standards and respect for employees, human rights and the communities in which a company operates can have a positive effect on financial performance (to varying degrees across companies, sectors, regions, asset classes and time). Investment managers, when acting on behalf of the Fund, should consider all relevant, material environmental, social and governance ('ESG') factors. The Board of Trustees believes the consideration of ESG factors is consistent with a prudent approach to investment and risk management which should result in long-term benefits to the Fund and plan beneficiaries"*

Effective January 1, 2016, plan administrators must file the pension plan's SIPP with the Financial Services Commission of Ontario (FSCO). The GSPP and LRP SIPPs were updated by Mercer, our Investment Consultant. These have been filed with FSCO.

**Pension Fund Advisors and Mandates – January 2016**

- **Letko Brosseau:** Canadian/Global Equity Mandate
- **Philips Hager & North:** Enhanced Long Bonds
- **Macquarie:** Infrastructure Investment
- **Bentall Kennedy:** Real Estate Mandate
- **Baillie Gifford:** Global Alpha Fund Mandate
- **CGOV:** Canadian & Global Equity Mandate

- **Canso Investment:** Corporate Credit Mandate
- **Neuberger Berman:** Private Debt Mandate
- **CIBC Asset Management :** Currency Hedging
- **Greystone:** Real Estate Mandate
- **Asset Consultant:** Mercer Canada
- **Custodian:** State Street Global Services
- **Actuary:** Eckler Ltd.
- **Legal Counsel:** Koskie Minsky LLP
- **Auditor:** BDO Canada LLP

### **Membership in the GSPP**

The total membership of the GSPP for the past three years has been as follows:

<b>Non-Retired Members</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
❖ <i>Active</i>	1,691	1,673	1,640
❖ <i>Inactive</i>	627	608	601
<b>Total</b>	<b>2,318</b>	<b>2,281</b>	<b>2,241</b>
<b>Pensioners</b>			
❖ <i>Members</i>	2,107	2,142	2,178
❖ <i>Surviving Spouses</i>	628	636	638
<b>Total</b>	<b>2,735</b>	<b>2,778</b>	<b>2,816</b>

The Pension Committee noted that the active membership continues to decrease while the number of pensioners/survivors continues to increase.

## **2. THE LAY RETIREMENT PLAN (LRP)**

The Lay Retirement Plan is a money purchase plan and is available to lay employees of Parishes and Church related organizations who are not members of the GSPP.

Previously, members in this Plan did not have the option to select the investments of the funds being held on their behalf. The legislation requires the plan administrators to provide the LRP members with a diversified range of investment options with different risk and return characteristics and to ensure that plan members are provided with the initial and continuous disclosure and appropriate education tools to assist with investment decisions. As it would not be possible to provide these services in-house, the record keeping of LRP/Group RRSP was outsourced to Canada Life/GRS on August 1, 2003. The name has been changed from Canada Life to Great West Life, after a merger of these 2 companies.

The following table summarizes the investment options and the amount invested in each fund as at December 31, 2015:

	<b>AMOUNT INVESTED</b>	<b>ALLOCATION</b>
Great-West Life Continuum (Conservative)	2,095,725	4.6%
Great-West Life Continuum (Moderate)	13,350,548	29.1%
Great-West Life Continuum (Balanced)	22,901,999	50.0%
Great-West Life Continuum (Advanced)	2,230,794	4.9%
Great-West Life Continuum (Aggressive)	1,746,593	3.8%
Canadian Bonds - McLean Budden	1,716,872	3.7%
Money Market - McLean Budden	627,986	1.4%
GICs - Great West Life – Daily,1,3 & 5 year	1,170,033	2.6%
Total Plan Assets	\$45,840,550	100.0%

**3. THE LONG TERM DISABILITY PLAN (LTD) (Members, who are disabled Jan. 1, 2005 or later)**

The Long Term Disability plan was revised and changes implemented on January 1, 2005. The program provides for self-insured benefits payable after 4 months of disability, for a maximum of 18 months, then if disability continues, benefits are insured and originally underwritten by Standard Life under policy 15065. With the Manulife acquisition of the Standard Life company announced in 2014 and completed in 2015, the insurance component is now underwritten by Manulife.

Prior to January 1, 2005, a long term disability program (the “LTD Plan Pre 2005”) was in place for the employees of the Anglican Church in order to provide an income for those employees that became disabled. The employees that were disabled prior to January 1, 2005 continue to be paid their LTD benefits from an insured plan administered by Manulife Financial (after acquisition of Standard Life business in Canada)

**Financial Status**

The Long Term Disability Fund was transferred to Letko Brosseau on January 31, 2007. Letko Brosseau’s investment review report showed that the one year returns as of December 31, 2015 are 5.2% against a benchmark of 7.0% and the market value of the fund is \$2,582,370

## Stats

There are 18 LTD claims under this plan as of December 31, 2015 in the self-insured portion of the plan. During this period, nine claims were transitioned to Manulife. The monthly payout from the LTD Plan as of December 2015 was \$51,510.35 compared to \$69,372 in June 2015. The payout in June included a retroactive payment of almost \$11,000.

### **4. THE PENSION ENDOWMENT FUNDS**

Over the past number of years, various donations and gifts have been made to the Endowment Committee of the Pension Committee with the request that they be used to supplement the pensions of retired members and the spouses of retired members. As of December 31, 2015, the market value of the Endowment Funds totaled \$5,856,246. As of December 31, 2015 the returns were 4.7% against a benchmark of 7.0%. As of March 1, 2007, the assets of the Endowment Funds are invested with Letko Brosseau Pooled Funds.

The distribution of the income of these funds in 2015 was \$256,730.00. The endowment fund payments, previously made every July, have been combined with the 13th cheque payments in December, to simplify the administration and reduce costs. Many cards and letters are received from the pensioners expressing their appreciation for the thoughtfulness of the donors and to the Pension Committee for their stewardship in managing these funds.

In addition to making cash donations to the Endowment Funds, it is also possible to give stocks and bonds with advantageous tax consequences to the donor/estate. An account has been set up to facilitate the sale of any such securities which are given to the Endowment Funds.

### **5. THE GROUP EMPLOYEE BENEFITS PROGRAM**

The following insured benefits are provided under the Group Policy which is underwritten by Manulife Financial:

	<u>No. of participating Dioceses/organizations</u>
Life Insurance	35
Optional Life Insurance (for member & spouse)	35
Accidental Death & Dismemberment	30
Short Term Disability	10
Extended Health Care	25
Dental Care	27
Vision Care	22

There are currently 23 dioceses providing Health Care coverage for their retirees, 21 dioceses are providing dental coverage for their retirees and 18 are providing vision care coverage. Members of the Lay Retirement Plan are also eligible to participate in the Group Employee Benefits Program. As of December 31, 2015, 366 members have Life insurance coverage, 283 have Health Care coverage and 386 participate in the LTD Plan. The annual premiums for the Employee Benefits Program under Manulife Financial at December 31, 2015 are approximately \$7,200,000.

## 6. THE SELF INSURED DEATH BENEFIT PLAN (SIDB)

The Self Insured Death Benefit Plan provides \$10,000 on the death of an active member, \$4,000 on the death of a retired member and \$1,500 on the death of a spouse of a retired member providing the member had participated in the Plan for at least five years at retirement. These benefits are non-taxable. Thirty - six dioceses/organizations participate in this Plan.

### Investment Management

The market value of the SIDB Plan as of December 31, 2015 was \$3,300,764. As of December 31, 2015, the one year returns were 4.6% against a benchmark of 7.0%. The funds are invested in the Letko Brosseau Pooled Fund.

## 7. THE CONTINUING EDUCATION PLAN (CEP)

The Pension Office is responsible for the day-to-day administration of the Plan. Policy decisions, educational support to members, and the authorization of sabbatical and special grants are the responsibility of the Continuing Education Administrative Unit. The Unit includes the Administrator of the Plan and five members appointed by the Pension Committee and meets twice a year. The Administrative Unit reports to the Pension Committee twice a year.

### Utilization

	2013		2015	
	Number	Amount (\$)	Number	Amount (\$)
Computers	258	180,364	224	185,334
Books	93	24,945	105	19,514
Educational Trips	10	9,050	19	22,803
Courses/Seminars	479	243,272	354	188,405
Total	840	457,631	702	416,056
Sabbatical Grants	19	54,036.15	20	50,965.55

### Review of Various Grants

In the past, due to favourable investment income, the CEP had built a pool of money which enabled us to provide various grants. The Unit has been concerned that investment income can fluctuate. Since the grants are available subject to favourable annual investment returns, it was agreed that the grants should be reviewed annually. The Unit considers the following two grants every year.

- a. **Bonus for Use:** added to withdrawals from individual accounts.
- b. **Salary source account:** Employers are using this grant to conduct group activities like clergy conference, pre-retirement seminars, etc.

On the recommendation of the Administrative Unit of the CEP, the Pension Committee suspended the allocation to Salary Source Account in 2013 and reinstated it in 2014. The Bonus for Use was suspended in

2013 and reinstated at 5% in 2015. Both Salary Source and Bonus for Use will be continued for one year effective January 1, 2016 and will be revisited in September 2016.

### **Investment Management**

The market value of the Continuing Education Fund as of December 31, 2015 was \$5,091,772. As of December 31, 2015, the returns of the Fund were 4.6%. As of March 1, 2007, the assets of the CEP are invested in Letko Brosseau Pooled Funds.

## **8. 2015 AUDITED FINANCIAL STATEMENTS**

The firm of BDO Dunwoody LLP was appointed in 2005 to conduct audit of pension and other non-pension plans. BDO's specialty is multi-employer pension plan audits and our size fits their target market. The 2014 audited Financial Statements for the General Synod Pension Plan, the Lay Retirement Plan, the Long Term Disability Plan and the Continuing Education Plan will be available in the Pension Office at the General Synod.

## **9. OTHER**

### **Seminars**

During the triennium, the Director made 17 diocesan visits to participate in pre-retirement seminars. There is no cost to a diocese/organization for the Director's attendance at these seminars, workshops and meetings.

### **Acknowledgments**

Bishop Philip Poole thanked all the members of the Pension Committee for their contribution to the work of the Committee as they complete their 3 year term on the Committee in June 2016. Bishop Poole also expressed appreciation to the members of the Board of Trustees, the Asset Mix Sub-Committee, the Central Advisory Group, Administrative Unit of the Continuing Education Plan, Audit Committee, Judy Robinson and the Pension Office staff for their expertise, enormous work that they do and for their continuous support.

Those members, who would not be returning to the Committee following the General Synod, expressed their appreciation for having had the opportunity to serve on the Pension Committee and for the care and compassion with which the Pension Committee and the Pension Office staff carry out their responsibilities.

If you have any questions about any aspect of the Pension or Employee Benefit programs, we will again have a Pension Office at the General Synod where staff will be available to provide information on pension policies and answer questions.



**For Action**

Be it resolved that this General Synod approve the amendments to the Continuing Education Plan (CEP) as approved by the Council of General Synod. Resolution No: A180

Be it resolved that this General Synod approve the amendments to the Self Insured Death Benefit Plan as approved by the Council of General Synod. Resolution No: A181

Be it resolved that this General Synod approve the amendments to the General Synod Pension Plan approved by the Council of General Synod. Resolution No: A182

Be it resolved that this General Synod approve the amendments to the Lay Retirement Plan as approved by the Council of General Synod Resolution No: A183

Be it resolved that this General Synod approve the amendments to the Long Term Disability Plan as approved by the Council of General Synod. Resolution No: A184

Respectively Submitted by,

The Rt. Rev. Philip Poole Chair,  
Pension Committee

Ms. Judy Robinson  
Director of Pensions