Pension Office Newsletter

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GENERAL SYNOD PENSION PLAN

2006 Actuarial Valuation

The Actuary conducted an actuarial valuation of the General Synod Pension Plan (GSPP) as of December 31, 2006. The previous valuation was conducted as of December 31, 2004.

The purpose of an actuarial valuation is to assess the financial health of the plan and take appropriate action, as required.

The 2006 Actuarial Valuation revealed a surplus of approximately $20.7 million on a going concern basis and $22.1 million on a solvency basis. These results took into account:

- the 4.5% increase in accrued benefits effective July 1, 2007;
- the effect of changes in some assumptions; and
- the transfer of assets and liabilities from the Clergy Pension Plan of the Diocese of Montreal.

The Council of General Synod (COGS) in November 2007 approved the following recommendations of the Pension Committee based on the Actuary's recommendations:

- increasing the benefit accrual rate to 2.0% in respect of 2009, 2010 & 2011;
- changing the mortality assumption to the UP 94 mortality table projected to 2015, rated down one year;
- conducting a mortality study to confirm that the mortality assumption is appropriate; and
- changing the expense provision.

Recommendations of the Actuary

Although the Plan has generated a healthy surplus, in light of volatility in the markets during 2007, the Actuary recommended that it would be prudent *not to* provide a further benefit improvement at this time.

Membership Data

There are more pensioners & survivors than actively participating members and the average age of the active members continues to increase.

	2006	2004
Active Members	1,958	1,946
Inactive Members	690	686
Pensioners & survivors	2,419	2,241
Average age	51.4	50.9

The Pension Committee authorized the Actuary to submit the final Actuarial Valuation report to the Financial Services Commission of Ontario before September 30, 2007.

Investment Performance

The market value of the assets of the GSPP at June 30, 2007 was $663 million.

The investment returns were as follows:

	2007-Q2	1 year	4 years
Total Portfolio	1.5%	17.8%	14.3%
Benchmark	0.0%	13.0%	11.7%
Excess Return	1.5%	3.1%	2.3%
Inflation	0.2%	1.6%	2.0%
Quartile	Q2	Q1	Q1

ENDOWMENT FUNDS

The Endowment Funds are invested with the assets of the GSPP. These funds have been donated to the Pension Fund in order to supplement pensions of clergy and clergy survivors. In addition to giving cash assets to the Endowment Funds, it is now 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. If you have any questions, please do not hesitate to call the Pension Office.

CONTINUING EDUCATION PLAN

Since 2001, Cassels Brock, the Legal Counsel of General Synod, has been dealing with CRA (Canada Revenue Agency) on our behalf to get clarification of the tax status of the CEP. In January 2007, CRA advised that they were unable to provide a ruling and that they had sent the entire submission to the Federal Department of Justice.

The Federal Department of Justice and the CRA have concerns whether the Continuing Education Fund constitutes a tax-deferral arrangement intended to provide advantages to employees of the Church and whether grants received by employee/members are "benefits" which are not permissible under the tax exemption provided to not-for-profit organizations under paragraph 149(1)(l) of the Income Tax Act Canada ("the Tax Act").

The CRA has suggested that the Church consider making changes to alleviate these concerns:

- terminating the employees' obligation to contribute to the Fund, and
- removing them from being “members” of the Plan.

At the November 2007 meeting, the COGS approved the Pension Committee’s recommendations to make the following changes to the CEP effective January 1, 2008:

- eliminate employee contributions to the Plan;
- maintain the current employer contribution at a level of $450 per employee per year;
- authorize the Administrator of the Plan to pay out the existing employee contributions to all the employees as at December 31, 2007;
- change the rate of reimbursing expenses to 80% of eligible expenses: 75% to come from the employee account and 5% to come from the general assets of the CEP; and
- approve, in principle, amendments to Canon XII and the Regulations reflecting the above changes.

Please be advised that all applications for benefits received in our office before December 31, 2007, will be paid out on the current formula.