
Pension Office Newsletter

Nov. 2009

The Anglican Church of Canada

Number 12

GENERAL SYNOD PENSION PLAN

Your Pension Committee's top priority is to continue to provide the highest possible level of financial security for plan members.

Your Pension Committee continues to watch global markets very carefully in order to provide ongoing wise and careful stewardship of resources.

The Pension Committee confirms that the upcoming changes do not affect pensions earned to date.

PLAN AMENDMENTS

The Council of General Synod at its November 2009 meeting approved the following changes to the General Synod Pension Plan (GSPP):

- ❖ Total pension contributions for the GSPP be increased by 2.4% of pensionable earnings on a phased-in basis: from 14.4% to 15.6% on January 1, 2010, and from 15.6% to 16.8% on January 1, 2011;
- ❖ the above increase to be borne by the participating employers in two stages: from the current 10% to 11.2% on January 1, 2010, and from 11.2% to 12.4% on January 1, 2011 and
- ❖ the pension accrual rate for active members be reduced from the current 2% to 1.8% effective January 1, 2010.

These changes are needed to address the issues of the ageing active plan membership and the fund losses of 2008. These changes may result in a reduction of your RRSP room in the future. Please consult your financial advisor for help in your financial planning.

2008 ACTUARIAL VALUATION

As advised in our June 2009 newsletter, the Trustees instructed the Actuary to conduct a valuation of the GSPP as of August 31, 2008. This valuation was filed with the regulator, as required, before May 31, 2009.

RESULTS OF THE VALUATION AT AUGUST 31, 2008

The Actuary reported that the valuation showed:

- ❖ Solvency surplus of \$58,000
- ❖ Going concern surplus of \$29.7 million

Membership Data: There are more pensioners & survivors than actively participating members.

	31/8/2008	31/12/2006
Active Members	1,871	1,958
Inactive Members	729	690
Pensioners	2,492	2,419

Please refer to the glossary on page 5 for definitions of technical terms.

Average Age: Since the previous valuation, the average age of the active plan membership has gone up by 6 months. The Actuary pointed out that the average age of the active members continues to increase and is now 51.9 years.

Date of Valuation	Average age of active members
Aug. 31, 2008	51.9
Dec. 31, 2006	51.4
Dec. 31, 2004	50.9
Dec. 31, 2002	50.7
Dec. 31, 1999	49.3

ACTION PLAN OF THE TRUSTEES

The Trustees created an action plan to obtain a financial update on the GSPP, identify issues and potential solutions. The GSPP is required to file an actuarial valuation with the pension regulator at least once every three years. The following summarizes the Trustees' action plan:

- ❖ Authorize the Actuary to file the actuarial valuation as of August 31, 2008 with the pension regulator, thus extending the period until the next required filing to August 31, 2011.
- ❖ Ask the Actuary to update the financial position of the GSPP to December 31, 2008 to reflect the market meltdown.
- ❖ Review the updated financial position.
- ❖ Establish a sub-committee to consider potential amendments to the plan; and
- ❖ Lobby the government such that solvency funding not be required. A letter has been sent to the Honourable Dwight Duncan, Ontario Minister of Finance, to allow the GSPP to be designated as a SOMEPP (Specified Ontario Multi-Employer Pension Plan). If the GSPP is so designated, a solvency deficiency would not require ongoing funding payments.

RESULTS OF THE PROJECTED FINANCIAL POSITION AT DECEMBER 31, 2008

The Actuary's report showed:

- ❖ Estimated financial position of the GSPP as of December 31, 2008 is estimated based on a roll forward of the liabilities from the August 31, 2008 valuation and the actual assets as of December 31, 2008 provided in the audited GSPP financial statements.
 - Going Concern: excess \$4.1 million
 - Solvency: shortfall \$29.0 million
 - Cost of benefits equals total contributions, that is 14.4% of salary

- ❖ In his report, the Actuary identified the following two key issues:
 - Significant 2008 pension fund investment losses; and
 - continual ageing of the active membership.

Further solvency funding is still required, as no changes to legislation have been undertaken.

- ❖ Because of the asset smoothing method, the going concern funded position will decrease (from \$4.1 million surplus to \$93.7 million deficit) to absorb the total 2008 investment losses of \$97.8 million over the next 3 years. This will be offset (or increased) by the actual pension fund investment experience after 2008.

- ❖ Although the contribution rate equals the cost of benefits at this time, the continual ageing of the active membership is expected to increase the cost of benefits in the future. Some combination of a reduction in the accrual rate (currently equal to 2% of salary) and/or an increase in the contribution rate will likely be required.

- ❖ Recommendations of the Actuary:

- No change to pensions already earned/being paid
- Implement changes to improve financial position; going forward, any corrective action should affect both employers and employees
- Implement changes as soon as possible to minimize the size of potential further changes in the future
- Reduce accrual rate of active members from 2% to 1.8% effective January 1, 2010
- Increase pension contribution rate:
 - from 14.4% to 15.6% effective January 1, 2010: and
 - from 15.6% to 16.8% effective January 1, 2011.
 - The full amount of the contribution increase to be paid by employers.

Only employer contributions were increased because the accrual rate for active members is being reduced, which is their “cost” to address the issues.

- These 2 changes address \$40 million of the estimated potential \$94 million shortfall, as described on page 2.

In early September, correspondence was sent to all dioceses/participating employers alerting them to the Trustees proposed recommendations to the Pension Committee in October and the CoGs in November. The advance notice was sent to help the finance officers when budgeting

for next year. The communication also indicated that at this stage this action is taken to reposition the GSPP and we may be required to make further changes after the next valuation is conducted, which will be no later than August 31, 2011.

INVESTMENT PERFORMANCE

The market value of the assets of the GSPP at September 30, 2009 was \$538.9 million. The investment returns for the total portfolio and the benchmark returns are as follows:

	Fund Return	Benchmark
Q3 2009	8.9%	8.1%
1 year	3.3%	5.3%
3 year	0.4%	1.1%
5 year	5.4%	5.1%
10 year	6.1%	4.4%

GROUP PLAN COVERAGE WITH MANULIFE FINANCIAL

We remind those who have health and/or dental coverage under the national Group Plan with Manulife Financial that you can now submit certain health and dental claims online. You will have to register on the Manulife Plan Member Secure Site www.manulife.ca/groupbenefits. With this Secure Site, you will be able to:

- ❖ receive your claims payments up to 70% faster with Direct Deposit;
- ❖ check the status of your claim;
- ❖ ask questions; and
- ❖ obtain practical advice on health matters as well as reliable information on Health eLinks.

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 making cash donations 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.

MISSION STATEMENT

The Pension Committee, on behalf of the Anglican Church of Canada, commits to faithful stewardship and administration of the Pension Plans, Benefit Plans and Funds and to do so with compassion and efficiency for the well-being of the Plan members and their beneficiaries.

PENSION FUND ADVISORS NOVEMBER 2009

Investment Fund Managers/Mandates

- Letko, Brosseau: *Canadian/Global Equity*
- Barclays Global: *Canadian Bond Index*
- Bentall Capital: *Canadian Real Estate*
- AllianceBernstein: *Global Equity*
- CGOV: *Canadian/Global Equity*
- Fortis Investments: *Global Real Estate*
- Canso Investment: *Corporate Credit*

Asset Consultant

- Mercer Canada

Actuary

- Eckler Ltd.

Legal Counsel

- Ogilvy Renault LLP

Auditor

- BDO Dunwoody LLP

MEMBERSHIP OF THE PENSION COMMITTEE

EX-OFFICIO MEMBERS:

The Most Rev. Fred Hiltz - The Primate
The Ven. Michael Pollesel - General Secretary
Canon Robert Falby - Prolocutor
Ms. Michèle George - Treasurer
Ms. Judy Robinson - Director of Pensions

ELECTED BY 2007 GENERAL SYNOD:

The Rt. Rev. Cyrus Pitman - E. Nfld. & Labrador
The Rt. Rev. Rodney Andrews - Saskatoon
The Ven. David Irving - Kootenay
The Ven. Ronald Harrison - New Westminster
Mr. Stephen Koning - Calgary
Mr. David Embury - Huron

TRUSTEES:

Ms. Karen Bleasby - Toronto
The Rev. Ellie Clitheroe – Niagara
Mr. John Goodwin - Toronto
Ms. Sheryl Kennedy – Toronto
Ms. Josephine Marks – Toronto
The Rt. Rev. Philip Poole - Toronto
Ms. Laura Solomonian - Toronto
Mr. David Stovel - Toronto

APPOINTED MEMBERS:

Canon Fred Scott - Fredericton
Canon Carol Throp - B.C.
The Ven. Bruce Bryant-Scott - B.C.
The Rev. Canon Alan Perry - Montreal
The Ven. Michael Rolph - Edmonton

OBSERVERS:

Mr. George Mayo - Toronto
Mr. David Kidd - Toronto
Ms. Priscilla Healy - Toronto
Canon Stephen Adams - Huron
Ms. Madeleine Gaul - Toronto
Mr. Bob Boeckner - Toronto
Mr. Peter Flemming - Nova Scotia & PEI

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Glossary of terms

Accrual rate - the rate at which pension benefits are earned each year based on the benefit formula.

Actuarial Valuation - An analysis of a plan's financial status. Assets and liabilities are valued to determine whether current assets plus expected future contributions are sufficient to meet benefit obligations. A valuation must be filed with the Financial Services Commission of Ontario at least once every three years.

Cost of benefits - The cost of benefits earned by all members during a plan year.

Going concern valuation - The actuarial valuation assuming the plan will continue to operate indefinitely.

Roll forward of liabilities - A method to estimate actuarial liabilities based on a previous actuarial valuation.

Smoothing of assets - An actuarial method used to spread investment gains and losses over a period to reduce the impact of short-term investment volatility.

Solvency funding - the process of making systematic payments into a pension trust fund, or changes to the benefit formula, to eliminate a solvency deficiency

Solvency valuation - The actuarial valuation assuming the plan will wind up immediately and pay out all benefits.

SOMEPP - Specified Ontario Multi-Employer Pension Plan - a special class of multi-employer pension plans that are not required to fund any solvency shortfalls.

