

**General Synod Pension Plan
of the Anglican Church of Canada
Financial Statements
For the year ended December 31, 2018**

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Independent Auditor's Report

To the Board of Trustees of the General Synod Pension Plan of the Anglican Church of Canada

Qualified Opinion

We have audited the financial statements of General Synod Pension Plan of the Anglican Church of Canada (the "Plan"), which comprise the statement of financial position as at December 31, 2018, and the statement of changes in net assets available for benefits for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Plan as at December 31, 2018, and its changes in net assets available for benefits for the year then ended in accordance with Canadian accounting standards for pension plans.

Basis for Qualified Opinion

As agreed to by the Trustees of the Plan and in common with many benefit fund audits, the scope of our audit was limited to the records of the Plan and therefore, did not extend to an examination of the payroll records of the contributing employers. Accordingly, our verification of contribution revenue was limited to the amounts recorded in the records of the Plan and we were not able to determine whether any adjustments might be necessary to contribution revenue and increase (decrease) in net assets for the years ended December 31, 2018 and 2017, assets as at December 31, 2018 and 2017 and net assets available for benefits as at January 1 and December 31 for both the 2018 and 2017 years. Our audit opinion on the financial statements for the year ended December 31, 2017 was modified accordingly because of the possible effects of this limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Plan in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our qualified audit opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for pension plans, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Plan's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Plan or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Plan's financial reporting process.



Independent Auditor's Report (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Plan's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Plan to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

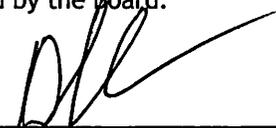
BDO CANADA LLP

Chartered Professional Accountants, Licensed Public Accountants
Burlington, Ontario
May 21, 2019

General Synod Pension Plan of the Anglican Church of Canada
Statement of Financial Position

December 31	2018	2017
Assets		
Investments (Note 3)	\$842,504,030	\$887,863,384
Contributions receivable		
Employers	575,713	334,856
Members	256,410	149,138
Accrued interest, dividends and other income	2,395,838	2,619,762
Other receivables	96,718	93,342
	845,828,709	891,060,482
Liabilities		
Accounts payable and accrued liabilities	704,817	774,224
Due to related parties (Note 7)	115,801	99,582
	845,008,091	\$890,186,676
Total net assets		
Net assets available for benefits		
Funds available for obligations of the General Synod Pension Plan	\$844,979,580	\$890,158,165
Additional voluntary contributions on deposit	28,511	28,511
	\$845,008,091	\$890,186,676
Total net assets available for benefits		

Approved by the Board:



 Chairperson



 Trustee

General Synod Pension Plan of the Anglican Church of Canada
Statement of Changes in Net Assets Available for Benefits

For the year ended December 31	2018	2017
Increase in net assets		
Contributions		
Employers	\$11,768,495	\$ 11,755,249
Members	5,241,430	5,235,531
	<u>17,009,925</u>	<u>16,990,780</u>
Investment income (loss) (Note 4)	(8,743,092)	101,131,988
Total increase in net assets	<u>8,266,833</u>	<u>118,122,768</u>
Decrease in net assets		
Benefit costs		
Pension payments	45,624,910	44,674,383
Lumpsum termination payments	1,565,284	1,361,646
Death benefits	1,741,226	880,084
Family law benefits	127,279	256,787
	<u>49,058,699</u>	<u>47,172,900</u>
Total benefit costs	49,058,699	47,172,900
Administrative expenses (Notes 6 and 7)	4,386,719	3,965,144
	<u>4,386,719</u>	<u>3,965,144</u>
Total decrease in net assets	<u>53,445,418</u>	<u>51,138,044</u>
Net increase (decrease) in net assets	<u>(45,178,585)</u>	<u>66,984,724</u>
Net assets available for benefits, beginning of year	<u>890,186,676</u>	<u>823,201,952</u>
Net assets available for benefits, end of year	<u>\$845,008,091</u>	<u>\$890,186,676</u>

The accompanying notes are an integral part of these financial statements.

General Synod Pension Plan of the Anglican Church of Canada

Notes to Financial Statements

December 31, 2018

1. Significant Accounting Policies

- a. **Nature and Purpose of the Plan** General Synod Pension Plan of the Anglican Church of Canada (the "Plan") is a contributory target benefit specified multi-employer pension plan providing benefits to members of the General Synod Pension Plan and is registered with the Financial Services Commission of Ontario - Pension Plans Branch under the Pension Benefits Act, 1990.

In accordance with Canon VIII of the General Synod of the Anglican Church of Canada, and under the terms of a written trust agreement dated January 1, 2015, a fund has been established in conjunction with the General Synod Pension Plan for the purpose of providing benefits. This fund is designated as the "Pension Fund of The Anglican Church of Canada".

b. **Basis of Presentation**

These financial statements are prepared in accordance with Canadian accounting standards for pension plans and present the aggregate financial position of the Plan as a separate financial reporting entity independent of the participating employers and Plan members. They are prepared to assist Plan members and others in reviewing the activities of the Plan for the fiscal period but they do not portray the funding requirements of the Plan or the benefit security of individual Plan members.

For accounting policies that do not relate to the Plan's investment portfolio, the Plan has elected to apply Canadian accounting standards for private enterprises.

The Plan is a contributory target benefit specified multi-employer pension plan that specifies the expected benefits to be paid to members upon pension eligibility. For accounting purposes, the Plan is considered to be a defined contribution pension plan since contributions are limited to amounts determined by the Pension Committee and employers are not required to fund actuarially determined funding deficiencies that may occur from time to time. Rather, such actuarially determined funding deficiencies are addressed by options such as making changes to the contribution levels, making changes to the Plan's investment strategies and/or making adjustments to benefits paid by the Plan.

General Synod Pension Plan of the Anglican Church of Canada

Notes to Financial Statements

December 31, 2018

1. Significant Accounting Policies (Continued)

- c. Investments Investments of the Plan are stated at fair market value, where available.
- The Plan holds units in various real estate, infrastructure and private debt investment funds which hold the underlying investments. The units are not publicly traded. Investment values are calculated from financial statements which include fair values based on periodic, independent appraisals of the underlying assets. The Plan's calculation of the fair value of these funds are based on the units it holds multiplied by the value per unit as reported in the audited financial statements of the funds.
- d. Financial Instruments Financial instruments, excluding investments, are recorded at fair value when acquired or issued and subsequently measured at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are charged to the financial instrument for those measured at amortized cost.
- e. Accruals Investment income, pension payments and expenses are accrued in the year to which they relate.
- f. Pension Benefits The present value of accrued pension benefits is determined using the projected benefit method prorated on service and the administrator's best estimate assumptions. An actuarial valuation was prepared as of December 31, 2017 by Eckler Ltd., and was then extrapolated to December 31, 2018.
- g. Foreign Currency Translation Foreign currency amounts have been translated into Canadian dollars on the following basis:
- Purchases and sales of marketable securities, income and expenses at exchange rates in effect on the date of the transaction.
 - Market value of securities at the year-end rate of exchange.

General Synod Pension Plan of the Anglican Church of Canada

Notes to Financial Statements

December 31, 2018

1. Significant Accounting Policies (Continued)

h. Funding Policy

The Plan funds its benefits through contributions and investment returns. In accordance with the Plan Regulations, members of the Plan are required to contribute 5.3% (2017 - 5.3%) of their salaries to the Plan, while employers are required to contribute 11.9% (2017 - 11.9%) of their members' salaries.

i. Contributions

Contributions from members and employers are recorded on an accrual basis. As a multi-employer pension plan, the Plan cannot certify that no contribution remains past due at the end of the year. Contributions received are reconciled annually to ensure the appropriate amounts have been remitted. To perform this reconciliation, the Plan requires each employer to verify and update the Plan's records for each of their member's service and contributions for the year. With this information, the Plan performs a reconciliation for each employer to determine if the correct amount of contributions has been remitted to the Plan. Once this reconciliation is complete, the Plan is able to calculate the amount of any differences related to contributions. Any shortfalls are recovered from the employer and overpayments are credited against future obligations.

j. Revenue Recognition

Members and employers' contributions are recorded in the financial statements up to and including the December month to the extent that these contributions are reported by the date of the auditor's report. Contributions reported after this date are included in the next fiscal period.

Pooled fund distributions and dividend income are recognized as of the record date. Interest income is recognized on a time proportion basis. The purchase and sale of securities are recorded on settlement date basis. Realized gains and losses from security transactions are based on the average cost of the security.

General Synod Pension Plan of the Anglican Church of Canada

Notes to Financial Statements

December 31, 2018

1. Significant Accounting Policies (Continued)

k. Use of Estimates

The preparation of financial statements in conformity with Canadian accounting standards for pension plans requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases in net assets during the reporting period. Actual amounts could differ from those estimates.

l. Income Tax Status

The Plan is registered pursuant to the Pension Benefit Act and is exempt from tax under section 149(1)(o) of the Income Tax Act.

2. Description of Plan

The following description of the General Synod Pension Plan of the Anglican Church of Canada (the "Plan") is a summary only. For more complete information, reference should be made to the Plan Document.

General

The Plan is a contributory target benefit specified multi-employer pension plan covering the clergy and lay employees of the Participating Employers affiliated with the Anglican Church of Canada. Under the Plan, contributions are made by the Plan members and their participating employers. If the assets held by the Plan do not meet its liabilities, benefits may be reduced. The Plan is registered under the Pension Benefits Act, 1990, registration number 0345777.

Service pensions

Service pensions are available based on the career average earnings as determined by a specific formula.

Survivors' pensions

A survivor's pension is paid to the spouse/partner of an active member who has a minimum of five years of contributions.

Withdrawal refunds

If the pension is not vested or locked-in, the member's contributions, together with interest, will be refunded on cessation of employment. If the pension is vested or locked-in, a number of other options are available.

General Synod Pension Plan of the Anglican Church of Canada
Notes to Financial Statements

December 31, 2018

3. Investments

(a) Investments

	2018		2017		
	Cost	Market Value	Cost	Market Value	
			%	%	
Cash and short-term investments	\$10,368,217	\$10,390,971	1.23	\$ 13,276,522	1.50
Fixed income					
Canadian	49,297,081	49,840,367	5.92	56,655,336	6.38
Foreign	31,606,283	31,307,255	3.72	23,137,341	2.61
Canadian pooled fixed income investments	172,626,088	168,201,626	19.96	168,037,608	18.93
Total Fixed Income	253,529,452	249,349,248	29.60	247,830,285	27.91
Equities					
Common shares					
Canadian	86,979,161	116,287,007	13.80	97,254,499	18.73
Foreign	129,759,645	150,543,381	17.87	141,186,879	22.25
Foreign pooled equity investments	138,420,596	154,862,414	18.38	88,812,032	14.03
Total Equities	355,159,402	421,692,802	50.05	327,253,410	55.01
Canadian Real Estate	82,261,066	97,373,622	11.56	82,261,066	10.34
Foreign Pooled Infrastructure	35,799,596	34,359,239	4.08	29,362,727	3.46
Foreign Pooled Private Debt	34,215,604	34,284,556	4.07	15,672,131	1.61
Investment Related Assets	771,333,337	847,450,438	100.59	711,434,292	99.83
Unrealized gains on currency forwards	-	340,371	0.04	-	0.29
Investment Related Liabilities	771,333,337	847,790,809	100.63	711,434,292	100.12
Unrealized losses on currency forwards	-	(5,286,779)	(0.63)	-	(0.12)
Total	\$771,333,337	\$842,504,030	100.00	\$ 711,434,292	100.00

General Synod Pension Plan of the Anglican Church of Canada Notes to Financial Statements

December 31, 2018

3. Investments (Continued)

(b) Individually significant investments

The cost or market value of the following investments exceeds 1% of the total cost or market value of the Plan's net assets as at December 31.

	2018		2017	
	Cost	Market Value	Cost	Market Value
Equities				
Canadian				
Suncor Energy	\$ 4,909,988	\$ 7,345,745	\$ 5,820,813	\$ 11,006,775
Toronto Dominion Bank	3,471,386	6,896,001	4,570,048	9,942,750
Pooled Funds				
Baillie Gifford Global Alpha Fund	\$74,792,891	\$88,529,583	\$ 73,504,583	\$104,829,648
Baillie Gifford Positive Change Equity Fund	50,851,465	51,476,465	-	-
Canso Corporate and Infrastructure Debt Fund	9,933,854	9,155,447	9,624,782	8,909,222
LBA Emerging Markets Fund	12,776,240	14,856,366	15,307,449	19,762,360
Macquarie Infrastructure Partners III, L.P.	35,799,596	34,359,239	29,362,727	30,691,196
NB Private Debt Fund II LP	25,265,474	24,704,137	14,120,484	12,723,135
NB Private Debt Fund III Cayman LP	8,950,130	9,580,419	1,551,647	1,522,902
Philips, Hager & North Long Core Plus Bond Fund	162,632,847	158,986,793	156,554,207	159,128,386
Real Estate				
Canadian				
Bentall Kennedy Prime Canadian Property Fund Ltd.	\$57,261,066	\$63,717,542	\$ 57,261,066	\$ 60,945,028
Greystone Real Estate Fund Inc.	25,000,000	33,656,080	25,000,000	30,973,519

General Synod Pension Plan of the Anglican Church of Canada Notes to Financial Statements

December 31, 2018

4. Investment Income (Loss)

Investment income consists of the following:

	2018	2017
Bond, notes and deposit interest	\$ 3,402,336	\$ 3,997,644
Dividends	9,052,441	11,139,016
Pooled funds distributions	33,144,835	10,297,231
Canadian private real estate	2,650,034	2,701,227
Net gain on disposal of investments	36,643,466	36,686,401
Net foreign exchange gain on disposal on investments	3,239,980	8,182,188
Net unrealized gain (loss) in the value of investments	(98,276,306)	34,394,580
Net unrealized foreign exchange gain (loss)	1,284,754	(6,379,363)
Securities lending	115,368	113,064
	\$ (8,743,092)	\$ 101,131,988

5. Accrued Pension Benefits

The estimated actuarial present value of accrued pension benefits as at December 31 and the principal components of changes in this value during the year are as follows:

	2018	2017
Estimated actuarial present value of accrued pension benefits, beginning of year	\$662,417,000	\$655,924,000
Accrued interest on benefits	38,647,000	38,320,000
Benefits accrued	12,518,000	12,712,000
Expenditures	(49,059,000)	(47,173,000)
Loss due to incorporating PfAD	53,147,000	-
Experience loss (gain)	(163,000)	2,634,000
	\$717,507,000	\$662,417,000

The estimated actuarial present value of accrued pension benefits as at December 31, 2018 is based on an actuarial valuation as at December 31, 2017, which was extrapolated to December 31, 2018 by Eckler Ltd. The valuation was determined using the accrued benefit actuarial cost method and reflects best estimate assumptions and the expectation that the Plan will continue on an ongoing basis. Significant assumptions are summarized below.

Discount rate

A discount rate of 6.0% (2017 - 6.0%) per annum has been assumed in calculating the actuarial present value of accrued pension benefits.

General Synod Pension Plan of the Anglican Church of Canada

Notes to Financial Statements

December 31, 2018

5. Accrued Pension Benefits (Continued)

Provision for Adverse Deviation

A provision for adverse deviation (PfAD) of 8% has been included in the actuarial present value of accrued pension benefits at the end of the year. The calculation to determine this PfAD is disclosed in the December 31, 2017 valuation report.

Retirement

It has been assumed that members in receipt of LTD benefits would retire at age 65 and that 20% (2017 - 20%) of the members under age 65 on the valuation date will retire at age 60 (or the current age, if greater) and the remainder at age 65.

Mortality

It has been assumed that the mortality of members will follow the Canadian Pensioners' Mortality 2014 Private Sector Mortality table (CPM Private) projected generationally with Scale B, no size adjustment.

Investment values

The actuarial value of net assets is determined as the average of the market value of assets at December 31, 2018 and the adjusted market values at December 31 of the prior 4 years. The adjusted market values were developed by applying the discount rate of 6% to the fund cash-flows, net of investment expenses. The actuarial value of net assets differs from net assets available for benefits reflected in the financial statements as follows:

	2018	2017
Net assets available for benefits	\$845,008,091	\$ 890,186,676
Market changes not reflected in the actuarial value of net assets	6,931,909	(71,566,676)
Actuarial value of net assets	\$851,940,000	\$ 818,620,000

The next required filing with the Financial Services Commission of Ontario ("FSCO") is due September 30, 2021 based on December 31, 2020 amounts.

General Synod Pension Plan of the Anglican Church of Canada

Notes to Financial Statements

December 31, 2018

6. Administrative Expenses

Effective January 1, 2014, all administrative expenses, except investment management and custodial fees, of the Plan were paid from a separate fund established for this purpose, outside the Pension Fund.

Administrative expenses consist of the following:

	2018	2017
Actuarial - Eckler Ltd.	\$ 286,571	\$ 160,162
Administrative fees (Note 7)	900,695	860,849
Audit - BDO Canada LLP	59,591	59,591
Accounting consulting fees - BDO Canada LLP	6,588	-
Bank charges	4,475	15,814
Insurance	34,295	31,107
Investment consulting - Mercer Investment Consulting	112,684	141,440
Investment management and custodial fees	4,533,491	4,005,300
Legal - Koskie Minsky LLP	38,250	27,430
Legal - Blake, Cassels & Graydon LLP	-	8,129
Provincial registration fees	32,766	33,950
Sales tax rebate	(90,196)	(89,920)
Expense recovery	(61,049)	-
	5,858,161	5,253,852
Less: Paid by the Plan Administration Expense Fund	(1,471,442)	(1,288,708)
	\$ 4,386,719	\$ 3,965,144

Pursuant to the Pension Benefits Act, 1990, the following information is disclosed:

	2018	2017
Investment management		
Baillie Gifford and Co.	\$ 760,809	\$ 577,467
Bentall Kennedy (Canada) Limited Partnership	302,743	299,270
Canso Investment Counsel Ltd.	276,167	270,285
CIBC Asset Management	216,440	195,929
Fiera Capital Corporation	315,063	320,795
Greystone Managed Investments Inc.	397,077	364,563
Letko Brosseau and Associates Inc.	611,792	716,320
Macquarie Infrastructure Partners Inc.	503,741	517,360
Neuberger Berman Alternative Advisors LLC	486,806	128,080
Phillips, Hager, & North Investment Management	482,651	445,545
CIBC Mellon - Custodial services	180,202	169,686
	\$ 4,533,491	\$ 4,005,300

General Synod Pension Plan of the Anglican Church of Canada Notes to Financial Statements

December 31, 2018

7. Related Party Transactions

The Pension Office Corporation of the Anglican Church of Canada (the "Corporation") administers the Plan. Under the terms of a Cost Sharing and Agency Agreement with the various pension and benefit plans of the Anglican Church of Canada (the "Plans"), the Corporation pays the shared expenses of the Plan and is reimbursed. In the current year, an amount of \$900,695 (2017 - \$860,849) was allocated to the Plan by the Corporation to cover the Plan's share of expenses and is included in administrative expenses, at its exchange value (the amount of consideration established and agreed to by the related parties).

The following amounts are due from (to) related parties at year end:

	2018	2017
Pension Office Corporation of the Anglican Church of Canada	\$ 267	\$ (144)
Employee Benefits Fund of the Anglican Church of Canada	(101,824)	(99,076)
Endowment Fund of the Anglican Church of Canada	684	4,653
Continuing Education Plan of the Anglican Church of Canada	-	(338)
Long Term Disability Plan of the Anglican Church of Canada	-	(95)
Plan Administration Expense Fund	(14,928)	\$ (4,582)
	\$ (115,801)	\$ (99,582)

The General Synod Pension Plan of the Anglican Church of Canada has a common Board of Directors/Trustees with the above related parties.

8. Financial Risk Management

The Plan may be exposed to a variety of financial risks including market risk (interest rate risk, foreign currency risk, and price risk), credit risk and liquidity risk. Volatility in interest rates, currency exchange rates and equity prices can significantly impact the value of the Plan's investments and the funded status of the Plan. The management of these investment risks is addressed through the Statement of Investment Policies and Procedures which defines investment and risk philosophy, asset mix and diversification policy, and guidelines for the management of investments.

General Synod Pension Plan of the Anglican Church of Canada

Notes to Financial Statements

December 31, 2018

8. Financial Risk Management (Continued)

a) Market Risk

Market risk is the risk that the value of an investment changes as a result of market conditions. Market risk encompasses a variety of risks such as interest rate risk, currency risk and price risk. The Plan uses a variety of strategies such as diversification and hedging to mitigate the various forms of risk. Investments in various asset classes are monitored on a monthly basis. The Plan employs professional managers to make investment decisions and execute trades and monitors these managers closely.

Interest Rate Risk

Interest rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Plan manages interest rate risk by establishing a diversified target asset mix. A portion of the fixed income portfolio is actively managed, allowing managers to anticipate and attempt to mitigate interest rate movements. An increase/decrease of 1% in nominal interest rates, with all other variables held constant would result in an approximate decrease/increase of \$28.9 million (2017 - \$29.5 million) in the value of the Plan's fixed income investments.

Currency Risk

Currency risk is the risk that the value of investment assets denominated in foreign currencies will fluctuate with changes in foreign currency exchange rates while the Plan liabilities are denominated in Canadian dollars.

The investment manager for the corporate bond portfolio hedges its exposure to foreign currencies as it deems appropriate. At December 31, 2018, the Plan is currently hedging 100% (2017 - 100%) of the exposure to US dollar bonds in the portfolio. There were no bonds held in currencies other than the Canadian and US dollar. The policy is monitored based on the value of the Canadian dollar. The Plan uses a professional investment manager to hedge the foreign currency exposure in its global asset portfolio. The investment manager uses foreign exchange forward contracts to modify currency exposure comprised of both an active component and a passive component with a 37.5% target hedge ratio. The hedging policy is reviewed regularly by the Board of Trustees.

In Canadian dollars, the net underlying currency exposures are as follows:

Currency	2018		2017	
	Net Exposure	Impact of +/- 5% change	Net Exposure	Impact of +/- 5% change
United States	\$ 117,481,049	\$ 5,874,052	\$ 124,325,111	\$ 6,216,256
Eurozone	17,274,070	863,704	26,761,802	1,338,090
United Kingdom	7,054,160	352,708	7,200,230	360,012
Asia Pacific	16,513,038	825,652	15,357,702	767,885
Europe - Other	29,429,065	1,471,453	19,392,558	969,628
Emerging markets	36,642,898	1,832,145	29,937,485	1,496,874
Total	\$ 224,394,280	\$ 11,219,714	\$ 222,974,888	\$ 11,148,745
As % of Net Assets	26.56 %		25.05 %	

General Synod Pension Plan of the Anglican Church of Canada

Notes to Financial Statements

December 31, 2018

8. Financial Risk Management (Continued)

a) Market Risk (continued)

Price Risk

Other price risk is the risk that the value of an investment will fluctuate with changes in market prices. The Plan is subject to price risk on its investments in equities. An increase (decrease) of 10% in the market prices for equities, with all other variables held constant, would result in an approximate increase (decrease) in the Plan's investments of \$42 million (2017 - \$49 million). The Plan manages this risk by diversifying its investments in accordance with the Statement of Investment Policies and Procedures prepared by the Trustees of the Plan.

b) Credit Risk

Credit risk is the risk of loss arising when a counterparty fails to fully honour its financial obligations with the Plan. Credit risk can also cause losses when an issuer is downgraded by credit rating agencies leading to a reduction in the market value of the issuers' obligations. The Plan has a diversified fixed income portfolio comprising investments in a pooled bond funds and an actively managed portfolio of corporate bonds. Investment restrictions within the plan limit investments with a single issuer. Additional restrictions are placed on the issuer regarding currency and rating of fixed income securities to reduce risk.

As at December 31, 2018:

Rating	Corporate Bonds	Pooled Funds*	Short-term	Total	% of Total
AAA/R-1					
High	\$13,597,775	\$35,254,820	\$ 3,768,518	\$52,621,113	21
AA/R-1					
Middle	9,584,218	34,683,845	-	44,268,063	18
A	16,311,834	47,100,106	-	63,411,940	25
BBB	29,448,907	23,775,083	-	53,223,990	21
Below BBB/					
Unrated	12,204,888	24,529,735	-	36,734,623	15
	\$81,147,622	\$165,343,589	\$ 3,768,518	\$250,259,729	100

* Numbers are extrapolated based on the percentages in each category for the PHN Long Core Plus Bond Fund and the Canso Corporate and Infrastructure Debt Fund as per the December 31, 2018 audited financial statements of Phillips, Hager & North Investment Management and Canso Fund Management Inc.

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December 31, 2018

8. Financial Risk Management (Continued)

b) Credit risk (continued)

As at December 31, 2017:

Rating	Corporate Bonds	Pooled Funds**	Short-term	Total	% of Total
AAA/R-1					
High	\$10,514,835	\$30,393,522	\$ 3,293,648	\$44,202,005	17
AA/R-1					
Middle	13,825,785	32,277,444	4,811,038	50,914,267	20
A	20,878,482	46,899,537	479,551	68,257,570	27
BBB	23,219,240	27,930,531	-	51,149,771	21
Below BBB/ Unrated	11,354,335	27,587,620	-	38,941,955	15
	\$79,792,677	\$165,088,654	\$ 8,584,237	\$253,465,568	100

** Numbers are extrapolated based on the percentages in each category for the PHN Long Core Plus Bond Fund and the Canso Corporate and Infrastructure Debt Fund as per the December 31, 2017 audited financial statements of Phillips, Hager & North Investment Management and Canso Fund Management Inc.

Credit risk for investments in derivatives is measured by the positive fair value of the contractual obligations with the counterparties less any collateral or margin received as at the reporting date. The Plan has exposure to derivatives as follows:

As at December 31, 2018:

	Number of Contracts	Notional amount	Fair Values	
			Assets	Liabilities
Currency Forwards	58	\$ 222,878,996	\$ 340,371	\$ (5,286,779)

As at December 31, 2017:

	Number of Contracts	Notional amount	Fair Values	
			Assets	Liabilities
Currency Forwards	42	\$ 200,262,597	\$ 2,554,278	\$ (1,047,357)

The Plan participates in a securities lending agreement through CIBC Mellon. The Plan manages the credit risk associated with the borrower by requiring the borrower to provide collateral in the form of readily marketable securities of a minimum of 105% of the market value of the securities lent. CIBC Mellon provides indemnification against borrower default. At December 31, 2018, the Plan had \$24.0 million (2017 - \$32.9 million) of securities on loan and held collateral of \$25.8 million (2017 - \$35.3 million).

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December 31, 2018

8. Financial Risk Management (Continued)

c) Liquidity Risk

Liquidity risk is the risk that the Plan has insufficient cash flows to meet its obligations as they come due. Cash inflows are derived from employer and member contributions and investment income. The majority of the Plan's assets are invested in readily marketable securities and can be sold relatively quickly. The Plan also invests in real estate, infrastructure and private debt which are typically less liquid.

The term to maturity classifications of interest bearing investments, based upon the contractual maturity of the securities, are as follows:

As at December 31, 2018:

	Within 1 Year	1 to 5 Years	5 to 10 Years	Over 10 Years	Total
Short-term notes	\$ 3,768,518	-	-	-	\$ 3,768,518
Corporate bonds	2,563,477	24,062,362	23,282,362	31,239,421	81,147,622
Pooled bond funds*	180,176	1,281,457	27,567,730	136,314,226	165,343,589
	<u>\$ 6,512,171</u>	<u>\$ 25,343,819</u>	<u>\$ 50,850,092</u>	<u>\$ 167,553,647</u>	<u>\$ 250,259,729</u>

As at December 31, 2017:

	Within 1 Year	1 to 5 Years	5 to 10 Years	Over 10 Years	Total
Short-term notes	\$ 8,584,237	-	-	-	\$ 8,584,237
Corporate bonds	3,094,412	22,917,262	26,422,318	27,358,685	79,792,677
Pooled bond funds**	5,410,365	19,198,043	33,311,568	107,168,678	165,088,654
	<u>\$ 17,089,014</u>	<u>\$ 42,115,305</u>	<u>\$ 59,733,886</u>	<u>\$ 134,527,363</u>	<u>\$ 253,465,568</u>

d) Financial Instruments Fair Value Hierarchy

Disclosure of a three-level hierarchy for fair value measurements is based upon transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1:

For securities valued based on unadjusted quoted prices in active markets for identical assets.

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8. Financial Risk Management (Continued)

d) Financial Instruments Fair Value Hierarchy (continued)

Level 2:

For securities valued based on inputs, other than quoted prices included in Level 1, that are observable for the asset, either directly or indirectly.

Level 3:

For securities valued based on inputs that are based on unobservable market data.

As at December 31, 2018:

	Level 1	Level 2	Level 3	Total
Cash and short-term investments	\$10,390,971	\$ -	\$ -	\$10,390,971
Fixed Income				
Canadian	-	49,840,367	-	49,840,367
Foreign	-	31,307,255	-	31,307,255
Canadian pooled fixed income investments	168,201,626	-	-	168,201,626
Total Fixed Income	168,201,626	81,147,622	-	249,349,248
Equities				
Common shares				
Canadian	116,287,007	-	-	116,287,007
Foreign	150,543,381	-	-	150,543,381
Foreign pooled equity investments	154,862,414	-	-	154,862,414
Total Equities	421,692,802	-	-	421,692,802
Canadian Real Estate	-	-	97,373,622	97,373,622
Infrastructure	-	-	34,359,239	34,359,239
Private Debt	-	-	34,284,556	34,284,556
Investment Related Assets	-	340,371	-	340,371
Investment Related Liabilities	-	(5,286,779)	-	(5,286,779)
Total	\$600,285,399	\$76,201,214	\$166,017,417	\$842,504,030

General Synod Pension Plan of the Anglican Church of Canada Notes to Financial Statements

December 31, 2018

8. Financial Risk Management (Continued)

d) Financial Instruments Fair Value Hierarchy (continued)

As at December 31, 2017:

	Level 1	Level 2	Level 3	Total
Cash and short-term investments	\$ 13,276,522	\$ -	\$ -	\$ 13,276,522
Fixed Income				
Canadian	-	56,655,336	-	56,655,336
Foreign	-	23,137,341	-	23,137,341
Canadian pooled fixed income investments	168,037,608	-	-	168,037,608
Total Fixed Income	168,037,608	79,792,677	-	247,830,285
Equities				
Common shares				
Canadian	166,259,439	-	-	166,259,439
Foreign	197,542,430	-	-	197,542,430
Foreign pooled equity investments	124,592,008	-	-	124,592,008
Total Equities	488,393,877	-	-	488,393,877
Canadian Real Estate	-	-	91,918,547	91,918,547
Infrastructure	-	-	30,691,196	30,691,196
Private Debt	-	-	14,246,036	14,246,036
Investment Related Assets	-	2,554,278	-	2,554,278
Investment Related Liabilities	-	(1,047,357)	-	(1,047,357)
Total	\$ 669,708,007	\$ 81,299,598	\$ 136,855,779	\$ 887,863,384

There were no significant changes to Level 1 and Level 2 for the years ended December 31, 2018 and December 31, 2017.

General Synod Pension Plan of the Anglican Church of Canada Notes to Financial Statements

December 31, 2018

8. Financial Risk Management (Continued)

d) Financial Instruments Fair Value Hierarchy (continued)

The following is a reconciliation of Level 3 fair value measurements for the year ended December 31, 2018:

	Real Estate Infrastructure	Private Debt	Total	
Balance, beginning of the year	\$ 91,918,547	\$30,691,196	\$14,246,036	\$ 136,855,779
Capital contributions	-	6,436,869	28,534,235	34,971,104
Returned capital	-	-	(9,990,762)	(9,990,762)
Unrealized gains (losses)	5,455,075	(2,768,826)	1,495,047	4,181,296
Balance, end of the year	\$ 97,373,622	\$ 34,359,239	\$34,284,556	\$ 166,017,417

The following is a reconciliation of Level 3 fair value measurements for the year ended December 31, 2017:

	Real Estate Infrastructure	Private Debt	Total	
Balance, beginning of the year	\$ 87,233,168	\$29,386,705	\$13,306,373	\$ 129,926,246
Capital contributions	619,443	906,465	5,046,349	6,572,257
Returned capital	-	-	(3,629,994)	(3,629,994)
Unrealized gains (losses)	4,065,936	398,026	(476,692)	3,987,270
Balance, end of the year	\$ 91,918,547	\$ 30,691,196	\$14,246,036	\$ 136,855,779

General Synod Pension Plan of the Anglican Church of Canada

Notes to Financial Statements

December 31, 2018

9. Capital Management

The Plan considers its capital to consist of its net assets available for benefits as presented in the Statement of Financial Position. The Plan's objective when managing its capital is to accumulate funds for the provision of defined retirement benefits to pension plan members. The Plan's ability to meet this goal is affected by the level of benefits provided and contributions required under the Plan, and by the prudent and effective management of the Plan's assets, which are invested in accordance with the Plan's Statement of Investment Policies and Procedures (the "SIP&P") and within the applicable regulatory limits.

Investments are based on asset mix and risk management policies that are designed to enable the Plan to meet or exceed its long-term funding requirement with an acceptable level of risk, consistent with the SIP&P as approved by the Board of Trustees. The Board of Trustees has adopted a SIP&P for the Plan which sets investment objectives, guidelines and benchmarks used in investing the Plan's assets, permitted categories of investments, asset mix diversification and rate of return expectations. The SIP&P was originally established in 1988 and was last amended on November 16, 2018.

There were no significant changes from the previously approved SIP&P apart from the following:

- The Target Asset Mix has been split between pooled funds and separate accounts.
- The Target Asset Mix has been modified to increase the allocation to global equities and decrease the allocation to Canadian equities.
- The minimum rating for Canadian bonds has been set at BBB (low). Notwithstanding this minimum target rating, actual quality requirements and permitted ranges will be determined by the managers.

The Plan's expected long-term annual nominal investment return is 6.0% (2017 - 6.0%) over one or more complete capital market cycles, i.e. over a five to ten-year period. The Plan's annualized ten-year nominal average rate of investment return (before investment management expenses) as of December 31, 2018 was 10.1% (2017 - 7.9%).

The SIP&P target asset mix is comprised of three broad categories of assets. A set of benchmarks has been identified to measure against each category's annual rate of investment return. The total investment annual rate of return is measured against a composite index made up of the weighted average of each category's benchmark return using the target allocation of the SIP&P to weight the various categories. The Plan's relative annual rate of investment return expectation is to exceed the composite index. The Plan's investment was allocated within the allowed asset categories range, as of the date of the financial statements. The following table presents the asset allocation and the annual rate of investment return for each asset category, and total investments, along with appropriate benchmarks.

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December 31, 2018

9. Capital Management (Continued)

Asset Categories	Benchmark	Asset allocation (%)				One year annual rate of investment return (%)			
		SIP&P Target		As of Dec 31		Benchmark		Actual	
		2018	2017	2018	2017	2018	2017	2018	2017
Cash & Equivalents*	FTSE 91 Day T-Bills Index	0.0	0.0	1.0	1.0	N/A	N/A	N/A	N/A
Fixed Income	33% FTSE TMX Canada Corporate Bond Index and 67% FTSE TMX Canada Long Bond Index	30.0	30.0	30.0	28.0	0.6	5.8	0.4	7.1
Equities									
Canadian Equities	S&P/TSX Composite Index					-8.9	9.1	-11.9	14.3
Global Equities	69% MSCI World (\$Cdn) and 31% MSCI ACWI (\$Cdn)					-0.2	15.4	-1.6	18.1
Total Equities		50.0	50.0	50.0	55.0				
Alternatives									
Real Estate	FTSE TMX Canada Bond Universe Index + 2.5%	10.0	10.0	12.0	10.0	4.0	5.1	9.0	7.4
Infrastructure	FTSE TMX Canada Bond Universe Index + 3.5%	5.0	5.0	4.0	4.0	N/A	N/A	N/A	N/A
Private Debt	BoA Merrill Lynch US High Yield Master II USD +2.5%	5.0	5.0	4.0	2.0	N/A	N/A	N/A	N/A
Total Alternatives		20.0	20.0	20.0	16.0				
Currency Overlay		0.0	0.0	-1.0	0.0	-7.0	2.9	-6.7	2.3
Total Investments	Composite Index	100.0	100.0	100.0	100.0	-1.4	10.2	-1.3	12.7

*Performance information is not calculated for the cash portfolio

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10. Commitments

The Plan enters into commitments related to the funding of investments. The Plan has made a commitment to an investment in Macquarie Infrastructure Partners III, L.P. of \$30,000,000 USD of which \$3,746,955 USD is outstanding at year end. The future commitments will be payable on demand based on the capital needs of the investment.

The Plan has made a commitment to an investment in Neuberger Berman Private Debt Fund II LP of \$30,000,000 USD, of which \$10,949,655 USD remains outstanding at year end. The future commitments are payable upon demand over a period of no more than twenty two months.

The Plan has made a commitment to an investment in Neuberger Berman Private Debt Fund III Cayman LP of \$40,000,000 USD dollars, of which \$32,882,667 USD remains outstanding at year end. The future commitments are payable upon demand over a period of no more than two years.

11. Comparative Figures

Certain comparative figures have been reclassified to conform to the current year's presentation.