

Pension Office Newsletter

June 2014

The Anglican Church of Canada

Number 17

GENERAL SYNOD PENSION PLAN

Last year was a good year for pension plans in Canada – ours included. Investment returns were much better than expected and interest rates rose slightly.

As of December 31, 2013, the GSPP's "going concern" funding level was estimated at 99% and its "transfer ratio" was estimated at 91.8%. We'll report on the final results of the December 2013 valuation this fall. The results of the previous valuation (August, 2012) filed with the regulator are shown on your right.

As we told you last December, thanks to strong support from our members, the Ontario government has passed a Regulation that exempts the plan from having to make special payments to cover its solvency shortfall until we have the results of the December 31, 2015 valuation.

This solvency funding relief doesn't affect the amount of pension you have already earned, or the pensions paid to our current retirees. However, if the plan had suddenly ended on December 31, 2013 with a 91.8% transfer ratio, pensions for all members would have been reduced by 8.2%.

As we have reported in previous newsletters, the Board of Trustees, the Actuary and the Central Advisory Group are continuing to do everything in their power to address the GSPP's solvency funding problem and are pursuing all avenues to ensure the long-term safety and security of your pension benefits.

Going Concern Results (\$1,000s)

| | Aug 2011 | Aug 2012 | Estimated Dec 2013 |
|----------------------------|-----------|------------|--------------------|
| Market value of assets | \$557,115 | \$584,664 | \$688,800 |
| Smoothing adjustment | \$42,339 | (\$5,867) | (\$79,114) |
| Actuarial value of assets | \$599,454 | \$578,797 | \$609,686 |
| Liabilities | \$599,255 | \$607,526 | \$615,575 |
| Excess (shortfall) | \$199 | (\$28,729) | (\$5,888) |
| Going concern funded ratio | 100.0% | 95.3% | 99.0% |

Solvency Results & Transfer Ratio (\$1,000s)

| | Aug 2011 | Aug 2012 | Estimated Dec 2013 |
|----------------------|-------------|-------------|--------------------|
| Solvency (shortfall) | (\$113,410) | (\$156,437) | (\$145,701) |
| Transfer ratio | 75.4% | 70.5% | 91.8% |

The solvency shortfall is based on the solvency valuation and the transfer ratio is based on the wind-up valuation (see glossary).

INVESTMENT PERFORMANCE

As of March 31, 2014, the market value of GSPP assets was \$709.7 million. The investment returns for the total fund and the benchmark returns are shown below. "Benchmarks" are established measurements used in the investment industry to evaluate performance. Our investment returns have consistently ranked in the top 25% of

similarly invested pension funds.

| | Fund Return | Benchmark |
|----------|-------------|-----------|
| Q1 2014 | 5.1% | 5.0% |
| 1 Year | 18.3% | 12.1% |
| 4 Years | 11.8% | 9.7% |
| 10 Years | 7.9% | 6.7% |

CONTRIBUTION RATES

Federal tax law limits how much we are able to contribute to the pension plan – and we have reached that limit. To make more contributions available to cover benefits, as of January 1, 2014, all overhead expenses started to be paid from a separate fund established for this purpose, outside the pension fund. To implement this change, contributions were adjusted as follows:

- The member contribution rate to the GSPP was increased by 0.5% to 5.3% of salary
- The employer contribution rate to the GSPP was decreased by 0.5% to 11.9% of salary
- The employers started contributing 1.3% of pensionable salary to a new expense fund administered by the Pension Office

Total contributions are shown below. This includes \$12.3 million annually to cover the “normal” cost of pensions earned each year and an annual special payment of \$2.9 million starting in September 2012 to improve going-concern funding level.

| | 2011 | 2012 | 2013 |
|----------|--------------|--------------|--------------|
| Employer | \$12,437,669 | \$12,448,554 | \$12,523,013 |
| Member | \$4,413,258 | \$4,417,229 | \$4,848,346 |
| Total | \$16,850,927 | \$16,865,783 | \$17,371,359 |

PENSION OFFICE STAFF NEWS

Nancy Dafnos, CEP Administrator, retired effective November 1, 2013. She had been on staff for over 20 years and her work was appreciated by the Pension Committee, the diocesan administrators and the plan members. While we are all very happy for Nancy, she will be missed by her colleagues. Lyona Francis, the Office and Benefits Administrator took over the responsibilities for administration of Continuing Education Plan benefits, while the accounting responsibilities of the job will be managed by the Accounting Department.

Sonia Bernard joined our staff as Office Administrator effective September 2013.

PENSION OFFICE WEBSITE

The Pension Office website is: www.anglicanpension.ca. The website contains information on Canons, the Regulations, plan documents, various forms, newsletters, financial statements, and links to Group Retirement Services (the Lay Retirement Plan and the Group Registered Retirement Savings Plan record keeper) which members and employers can access.

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, 2013, the

market value of the Endowment Funds totaled \$5,466,810, and the one year returns were 29.5%. As of March 1, 2007, the assets of the Endowment Funds are invested with Letko Brosseau Pooled 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 that have been given to the Endowment Funds.

If you have any questions, please do not hesitate to call the Pension Office.

CONTINUING EDUCATION PLAN

The assets of the Continuing Education Fund of the Anglican Church of Canada have been transferred into non-taxable funds to benefit from the tax savings. Continuing Education Fund of the Anglican Church of Canada is a registered charity (effective January 1, 2012) under the Income Tax Act and a registered charity is not required to pay income tax.

Administrative Policy

- Effective January 1, 2014, the 5% Bonus for Use remains suspended. At the 2013 fall meeting of the Unit it was agreed that salary source allocations could be reinstated for 2014. The Unit will review these grants annually.
- Canada Revenue Agency (CRA) requires that all funds used in the Continuing Education Plan by the account holders must be for the benefit of the employers. As long as the expenditure confers a benefit to the employers, with the approval of the supervisor, the employee may use the

balance of the fund in the account to offset the cost of any continuing education program or course of study, books related to educational development, or related computer hardware or software.

When an employee ceases employment, the account will be frozen for a period of twelve months. In the event of a return to work with a participating diocese/employer within twelve months, the account will be reactivated at the level it was upon leaving. After twelve months, a return to work will result in a new account being established with a zero starting balance.

Updated forms are available on the Pension Office website:
www.anglicanpension.ca.
You may visit CEP Online
<http://cep.anglican.ca> for continuing education opportunities.

BENEFITS WITH MANULIFE

If your benefit coverage is under the National Plan with Manulife, you will find a couple of inserts enclosed. One deals with making best use of your drug plan in the most cost effective way. The other provides information on added conveniences for plan members.

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

The Pension Fund Advisors/Mandates as of May 2014 are:

- **Letko Brosseau:** Canadian/Global Equity Mandate
- **Philips Hager & North:** Enhanced Long Bonds
- **Macquarie:** Infrastructure Investment
- **Bentall Kennedy:** Open-end and Close-end Real Estate Mandates
- **Baillie Gifford:** Global Alpha Fund Mandate
- **CGOV:** Canadian & Global Equity Mandate
- **Canso Investment:** Corporate Credit Mandate
- **Asset Consultant:** Mercer Canada
- **Custodian:** State Street Global Services
- **Actuary:** Eckler Ltd.
- **Legal Counsels:**
 - Canadian Benefits Law
 - Koskie Minsky LLP
- **Auditor:** BDO Canada LLP

GLOSSARY OF TERMS

Actuarial Valuation - The 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.

Going Concern Valuation - The measurement of the financial position of a

pension plan assuming that the plan will continue indefinitely.

Wind-up Valuation - The purpose of the wind-up valuation is to determine the financial position of the Plan if it were wound up on the valuation date.

Solvency Valuation - As in the wind-up valuation, the solvency valuation is intended to reflect the status of the Plan as if it had been wound up on the valuation date. Under the solvency valuation basis however, "smoothing" adjustments are permitted to the Plan's assets and liabilities to reduce the effects of market value and discount rate fluctuations. Also, certain benefits may be excluded from the solvency valuation.

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

Transfer Ratio - This is the ratio of the solvency assets (at market value), to the solvency liabilities (before adjustments)

If you have any questions about the plan's funded status or the solvency relief provisions, please contact the Pension Office.

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General Synod Pension Plan Registration #0345777

MEMBERSHIP OF THE PENSION COMMITTEE – JUNE 2014

EX-OFFICIO MEMBERS:

The Most Rev. Fred Hiltz - The Primate
The Ven. Michael Thompson - General Secretary
The Ven. Harry Huskins - Prolocutor
Ms. Hanna Goschy - Treasurer
Ms. Judy Robinson - Executive Director of Pensions

ELECTED BY 2013 GENERAL SYNOD:

The Rt. Rev. Stephen Andrews - Algoma
The Rt. Rev. David Irving - Saskatoon
The Rev. Perry Cooper - C. Nfld.
The Rev. Bruce Bryant-Scott - B.C.
Ms. Jane Osler- New Westminster
Ms. Sharon White - Niagara

TRUSTEES:

Ms. Karen McRae - Toronto
Mr. Bob Boeckner - Toronto
Ms. Louise Greig - Toronto
Ms. Sheryl Kennedy - Toronto
Mr. Stephen Koning - Calgary
Ms. Josephine Marks - Toronto
The Rt. Rev. Philip Poole - Toronto
Mr. David Stovel - Toronto

APPOINTED BY THE PENSION COMMITTEE:

The Ven. David Selzer - Ottawa
The Rev. Todd Townshend - Huron
Mr. Michael Attwood - Toronto
The Ven. Alan Perry - Edmonton
Canon Mike Lowery - Brandon

OBSERVERS:

Mr. Peter Flemming - Nova Scotia & PEI
Ms. Priscilla Healy - Toronto
Mr. David Kidd - Toronto
Mr. George Mayo - Toronto
Ms. Jane Mesich - Algoma
Ms. Sharon Chandler - Toronto

PENSION OFFICE STAFF

| | |
|--|-----------------|
| Robinson, Judy Executive Director | Ext. 201 |
| Davidson, Margaret Manager, Pension & Benefits | Ext. 202 |
| Bernard, Sonia Office Administrator | Ext. 203 |
| Edgar, Kathy Manager, Finance & Systems | Ext. 206 |
| Menon, Rekha Records Management Officer | Ext. 207 |
| Stricker, Lynda Pension & Benefits Administrator | Ext. 208 |
| Hinchcliffe, Evelyn Pension & Benefits Administrator | Ext. 209 |
| Francis, Iyona Benefits & CEP Administrator | Ext. 210 |
| Honoridez, Emily Fe Accounting Officer | Ext. 214 |
| Bandola, Zenaida (On Leave) Senior Accountant | Ext. 218 |
| Kang, Aman (On Contract) Accounting Support | Ext. 218 |

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