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# Pension Office Newsletter

June 2016

The Anglican Church of Canada

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## GENERAL SYNOD PENSION PLAN

The Board of Trustees, the Actuary and the Central Advisory Group continue to address the long term sustainability of the GSPP and the issue of solvency funding relief. In 2013, the Ontario government passed into law a Regulation which grants the General Synod Pension Plan temporary relief from funding any solvency deficiencies, until after the results of an actuarial valuation conducted as at December 31, 2015. This Regulation is expiring soon. The Trustees have met with elected officials and the Ministry of Finance Staff for further discussions. They are pursuing all avenues to ensure the long-term safety and security of your pension benefits.

## LEGISLATIVE UPDATE

### Quebec - Changes to Rules

- Since 2001, there has been a requirement to provide indexing from termination to age 55, on deferred pensions for Quebec members. New rules say this provision can be eliminated. An amendment is required to be filed by January 1, 2017 to implement this change.
- Deferred vested members who terminated between 2001 and the effective date of the new amendment (January 1, 2017) will still have indexing applied.

### Target Benefit MEPPs

On July 24, 2015, the Ontario government released its consultation paper titled Regulatory Reform for Target Benefit Multi-Employer Pension Plans (“consultation paper”). The consultation paper focuses on creating a target benefit Multi-Employer Pension Plan (TB MEPP) framework for Specified Ontario Multi-Employer Pension Plans (SOMEPPs). To that end, it uses the current regulations for SOMEPPs as the basis for the proposed framework and proposes to implement recommendations from “A *Fine Balance*”, the 2008 report of the Expert Commission on Pensions.

Current SOMEPPs are the focus of the consultation paper.

Other MEPPs and Single Employer Target Benefit Plans will be considered later.

### Ontario Retirement Pension Plan (ORPP)

Like the CPP, the ORPP is a retirement savings plan intended to provide Ontarians with a predictable source of retirement income for life.

The amount of money paid from the ORPP after retirement will depend on:

- how many years contributions were made to the pension plan and
- the salary received throughout those years

The ORPP will begin enrolling employers in 2017, with the first phase of contributions beginning January 1, 2018. By 2020, subject to legislative approval, every employee in Ontario would be part of either the ORPP or a comparable workplace pension plan.

*Comparable MEPP :*

Must pass one of two tests

- Defined Benefit Test: At least a 0.5% annual accrual rate
- Defined Contribution Test: Minimum total contribution of 8%; employer must contribute 50% of total

The GSPP and the LRP both meet the minimum for a comparable plan.

**ACTUARIAL VALUATION**

Cameron Hunter, the Actuary, has completed and filed the 2014 Actuarial Valuation. The following table shows the valuation results:

	31-Dec-13 (\$ thousands)	31-Dec-14 (\$ thousands) (estimated)
Annual rate of return (net of	18.28%	11.3%
Going concern excess / (deficiency)	(21,330)	\$13,303
Going concern funded ratio	96.6%	102.1%
Solvency excess / (deficiency)	(152,580)	(\$156,639)
Wind-up excess / (deficiency)	(72,801)	(\$130,844)
Transfer ratio	90.7%	85.3%

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

The Actuary is in the process of preparing the 2015 Valuation.

**INVESTMENT PERFORMANCE**

As of December 31, 2015, the market value of GSPP assets was \$775.6 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
Q4 2015	3.7%	3.6%
1 Year	7.6%	6.5%
4 Years	13.1%	10.3%
10 Years	7.4%	6.5%

**PENSION AND BENEFIT PLANS  
ELIGIBILITY RULES**

***Pension Plan Eligibility***

All clergy must participate in the General Synod Pension Plan regardless of hours worked, with a few exceptions, such as being granted an exemption by the Pension Committee or working on a contract basis for less than one year.

All lay employees of a participating employer must participate in the General Synod Pension Plan, also with a few similar exceptions. In addition, a participating employer may exclude lay employees if the hours worked are below 13.5 per week or their annual income is below 35% of the YMPE (2016 YMPE is \$54,900) in two consecutive years prior to plan membership.

## **Long Term Disability Plan Eligibility**

All pension plan participants must participate in the long term disability plan, with a few exceptions, such as being over age 65 or working on a time-limited contract.

## **Group Benefits with Manulife**

Eligibility for group benefits has changed to “at least half-time or 20 hours per week (if employed less than half-time)”. This allows half-time employees who work less than 20 hours to be covered for benefits. As well, it does not exclude employees who are currently covered at 20 hours per week, whose work weeks are more than 40 hours per week. This change was made as work situations are more varied these days, and the intent of this rule was to cover anyone working half-time or more.

## **CONTINUING EDUCATION PLAN**

### **Administrative Policy**

- At the 2015 fall meeting of the Continuing Education Plan (CEP) Unit, it was agreed that the allocation to Salary Source Account be continued for one year effective January 1, 2016 and that the Bonus for Use be continued at 5% for 2016. The Unit will review the financial status of the plan 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 employer. As long as the expenditure confers a benefit to the employer, with the approval of the supervisor, the employee may use the balance of the funds in the account to offset the cost of continuing education program or course of study, books

related to educational development, or related computer hardware or software.

- Guidelines for Eligibility of Computer Hardware
  - Replacements of identical types of computer hardware are permitted only after 3 years from the date of purchase of initial product.
  - Although desktops, laptops and tablets have overlapping but not identical characteristics, there are many tasks which can be done by more than one such product. If more than one type of hardware is purchased within 3 years of another type, the account holder will be asked to explain how the second item is to be used, and why those tasks cannot be accomplished using the first product purchased.
- An employee is not permitted to use the funds in his/her account within three months of the date of retirement or termination.
- 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](http://www.anglicanpension.ca)**

**For continuing education opportunities you may visit CEP Online:**

**<http://cep.anglican.ca>**

## PENSION OFFICE WEBSITE

The Pension Office website is:

[www.anglicanpension.ca](http://www.anglicanpension.ca)

The website contains information on Canons, 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 March 31, 2016, the market value of the Endowment Funds totaled \$5,743,464, and the one year returns were - 3.3%. Since 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 are given to the Endowment Funds.

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

## SAVINGS PLANS

Through the record-keeper of the Lay Retirement Plan (LRP), Group Retirement Services of Great West Life, optional savings plans are available by payroll deduction. Two types of plans are available, a group RRSP and a group TFSA. The investment options are identical to those available under the LRP.

An enrollment kit and forms are provided in paper or online at [www.anglicanpension.ca](http://www.anglicanpension.ca)

## 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.

If you have any questions, please contact the Pension Office.

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*General Synod Pension Plan Registration #0345777*

## PENSION FUND ADVISORS

The Pension Fund Advisors/Mandates as of May 2016 are:

- **Letko Brosseau:** Canadian & Global Equity
- **Philips Hager & North:** Enhanced Long Bonds
- **Macquarie:** Infrastructure Investment
- **Neuberger Berman:** Private Debt
- **CIBC Asset Management:** Currency Hedging
- **Greystone:** Real Estate
- **Bentall Kennedy:** Real Estate
- **Baillie Gifford:** Global Equity
- **CGOV:** Canadian & Global Equity
- **Canso Investment:** Corporate Credit
- **Asset Consultant:** Mercer Canada
- **Custodian:** State Street Global Services
- **Actuary:** Eckler Ltd.
- **Legal Counsel:** 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** - Determines the financial position of the Plan if it were wound up on the valuation date (prepared for information purposes only).

**Solvency Valuation** - Same as wind-up valuation except used to determine Plan funding. It includes the total value of any going-concern special payments required over the next five years.

**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 wind-up assets to the wind-up liabilities.

## ESG – ENVIRONMENTAL, SOCIAL & GOVERNANCE

### What is ESG?

ESG stands for Environmental, Social and Governance. There is growing evidence that suggests that ESG factors, when integrated into investment analysis and decision making, may offer investors potential long-term performance advantages. ESG has become shorthand for investment methodologies that embrace sustainability factors as a means of helping to identify companies with superior business models.

### Why ESG?

Taking ESG factors into account is part of a prudent approach to investing and aligns with a Pension Plan's fiduciary duty to act in the best interest of its beneficiaries.

Integrating ESG factors into traditional investment processes helps institutional investors to better assess financial value and to mitigate risk. But ESG consideration also involves looking for opportunities based on industry and market trends. For instance, climate change and stranded asset concerns have convinced some institutions to announce their plans to divest from selected holdings. For most investors the implications of such divestment pose significant challenges. Many pension plans have taken a more nuanced approach and use ESG information in the investment process. Examples of this would be: to identify ESG leaders in the oil and gas industry, to lower the carbon tilt of their portfolio through greater investment in renewables, or to engage companies as active shareholders and encourage energy companies to disclose their long-term efforts to mitigate stranded asset risks.



### ESG and Pension Plans

Effective January 1, 2016, plan administrators must file the Pension Plan's Statement of Investment Policies and Procedures (SIPP) with the Financial Services Commission of Ontario (FSCO). Prior to these regulatory changes, while every pension plan registered in Ontario was required to have a Statement of Investment Policies and Procedures, the SIPP did not have to be filed with the regulator. In addition, all SIPPs must now include information about whether environmental, social and governance factors are

incorporated into the SIPP and, if so, how the ESG factors are addressed in the plan's investment strategy.

Note that the regulatory amendments do not require plan administrators to include ESG factors in their investment decision-making process; the requirement is limited to disclosing whether or not ESG factors are considered when making investment decisions. If ESG factors are incorporated into the plan's investment strategy, then plan administrators must disclose in the SIPP how the ESG factors are incorporated.

In accordance with the change in Regulation, the General Synod Pension Plan and Lay Retirement Plan SIPPs have been updated and filed with FSCO.

## **Trustees and ESG**

The Trustees have been following recent developments and decisions in both the Corporate and Church worlds with regards to environmental, social and governance (ESG) issues. In recent years in particular, increased attention has been focused on considering ESG issues in the management of our Pension Plan investments.

The Trustees of the Pension Fund have a fiduciary duty to make decisions in the best interests of the plan's beneficiaries. This includes investing in opportunities that can obtain the highest return for the Fund, subject to acceptable levels of risk.

Over the past year, the Trustees have undertaken several projects for the purpose of monitoring and engaging with the Plan's investment managers with respect to ESG issues, in the belief that responsible corporate behaviour is related to good long-term corporate performance.

The Trustees have dedicated resources to sustainable investing, within the framework of their obligation to maximize value for the Plan beneficiaries without undue risk of loss. They believe that the resources dedicated to this area will contribute to long-term value.

The Trustees have engaged Mercer Investment Consulting to assist with this process. When the Trustees meet with investment managers they discuss, among other considerations, an investment manager's process for evaluating and integrating ESG issues in investment decisions. The Pension Fund's investment managers take ESG issues seriously.

Organizations that successfully manage their ESG risks, and proactively follow ESG best practices, should experience risk-adjusted outperformance over the longer term. This belief underpins the commitment to being a responsible investor.

Links to position papers written by two of the Pension Fund's investment managers follow:

Baillie Gifford - <https://bailliegifford.com/esg>

Bentall Kennedy - <http://cr.bentallkennedy.com/Home>

## MEMBERSHIP OF THE PENSION COMMITTEE – JUNE 2016

### EX-OFFICIO MEMBERS:

The Most Rev. Fred Hiltz - 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. Canon 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  
Ms. Jane Mesich - Algoma  
Ms. Sharon Chandler - Toronto  
The Rev. Richard Dentinger - Toronto

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