

Pension Office Newsletter

June 2019

The Anglican Church of Canada

Number 22

GENERAL SYNOD PENSION PLAN

Registration #0345777

GOOD NEWS ON SOLVENCY FUNDING UPDATE

Thanks to the strong support from our members in 2018, we have 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, 2020 valuation.

In its 2019 Budget, released on April 11, 2019, the Ontario government announced it will update the target benefit plan framework to include multi-employer pension plans with participating employers outside of the collective bargaining environment. This change means the Anglican Church Dioceses and other employers in the General Synod Pension Plan (GSPP) will now be properly recognized as participating employers in a target benefit multi-employer pension plan. Until now, pension plans of charities and non-profits have been treated differently from other, similar plans; this decision means that appropriate funding requirements will apply. We will continue to work with the Minister of Finance to try to get the funding rules in place this year.

As of December 31, 2018, the General Synod Pension Plan's (GSPP's) "going concern" funding level was estimated at 128% and its "transfer ratio" was estimated at 94%. In accordance with the Special Regulation mentioned above, there will not be a formal actuarial valuation conducted as of December 31, 2018.

Regular updates will be posted on our website www.anglicanpension.ca

ACTUARIAL VALUATION

Eckler Ltd., the actuarial consultants have completed and filed the 2017 Actuarial Valuation. The following table shows the valuation results:

	31-Dec-17 (\$ thousands)	31-Dec-16 (\$ thousands)
Annual rate of return (net of expenses)	12.0%	9.4%
Going concern excess / (deficiency)	\$ 156,185	\$ 98,758
Going concern funded ratio	123.6%	115.0%
Solvency excess / (deficiency)	\$ (121,034)	\$ (188,615)
Wind-up excess / (deficiency)	\$ (40,330)	\$ (102,367)
Transfer ratio	95.8 %	89.0%

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

INVESTMENT PERFORMANCE

As of December 31, 2018, the market value of GSPP assets was \$843.6 million.

The investment returns for the total fund and the benchmark returns for years ending December 31, 2018 are shown below. "Benchmarks" are established measurements used in the investment industry to evaluate performance.

To Dec 2018	Fund Return	Benchmark
1 Year	-1.3%	-1.4%
4 Years	7.0%	5.8%
10 Years	10.1%	8.7%

Although the markets faltered in the last quarter of 2018, almost all associated losses in the pension plan were recovered within the first two months of 2019.

ENVIRONMENTAL, SOCIAL & GOVERNANCE (ESG)

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 initiatives 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 General Synod Pension Plan has invested in the Baillie Gifford Positive Change Fund where the focus is on the dual objectives of delivering attractive long term returns and a positive change by contributing toward a more sustainable and inclusive world. The fund has four broad impact themes - social inclusion and education, environment and resource needs, healthcare and quality of life, and addressing the needs of people at the bottom of the global income ladder. The General Synod Pension Plan is an initial investor in this fund.

Global Real Estate Sustainability Benchmark (GRESB) is an initiative of the world's largest institutional investors with the goal of increasing transparency in environmental and social practices in the property sector. The 2017 GRESB report surveyed 850 entities covering 77,000 assets with an aggregated value of USD \$3.7 trillion. Bentall Kennedy, one of the GSPP investment managers, has been ranked among the top firms globally for its commitment to sustainable investing

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.

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.

The Trustees continue to follow 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.

EXPANSION

The GSPP has been approached by different employers about the possibility of participating in the plan. One of the main reasons is that the employer is looking for a valuable Defined Benefit (DB) design that's simple, secure, stable and sustainable. There are a number of options available to these employers and the Trustees and Pension Committee would like the ability to consider allowing employers outside the Anglican Communion to participate in the GSPP. In addition, the Trustees and Pension Committee are considering the merits of transferring members of the Lay Retirement Plan to the GSPP.

Attached to this newsletter is an update on proposed changes to the GSPP Canon that will permit the Trustees and Pension Committee to allow participation in the GSPP by the Lay Retirement Plan (LRP) members as well as new participating employers.

MANULIFE

GROUP BENEFITS

The Anglican Church of Canada moved to a new claims and administration platform at Manulife, effective May 1, 2018.

The Pension Office is now responsible for maintaining and updating all records of member address, dependant information, and coordination of benefits information for the new claims platform. Therefore, we ask that you notify the Pension Office either directly or through your employer of any changes as they occur.

OPTIONAL LIFE INSURANCE (ACTIVE MEMBERS)

Manulife has introduced an enhanced Optional Life insurance benefit for members and their spouses who are in good health. Manulife is now offering a Non-Evidence Limit (NEL) for Optional Life up to \$100,000 for a member and up to \$50,000 for their spouse, which means that completion of the medical questionnaire is not required for coverage up to these limits. By completing an application, the member is declaring that the person to be insured is in good health, has never been declined life insurance coverage, and does not have any physical or mental conditions that prevent them:

(a) if they are employed, from regularly attending to their occupation, or

(b) if they are not employed, from being so employed if they chose to engage in an occupation.

The coverage up to the NEL will be subject to an exclusion under which benefits will not be paid for any pre-existing medical conditions during the first 24 months.

The members who have existing coverage of at least \$100,000 and spouses who have existing coverage of at least \$50,000 are not eligible to take advantage of additional non-evidence coverage. Please contact the Pension Office for rate information.

BLOOD GLUCOSE TEST STRIPS

Effective April 1, 2019, Manulife modified their administrative practices and are now applying limits on blood glucose test strips.

- For patients managing diabetes with insulin the yearly maximum will be 3,000 test strips.
- For patients on oral diabetes medication or using diet and exercise alone to manage their diabetes will have coverage for up to 400 strips.

Changes in administrative practices are important to help manage drug costs for both the plan sponsor and member as well as reduce misuse and abuse. Applying limits also encourages proper testing practices for optimal patient outcomes.

CONTINUING EDUCATION PLAN

Administrative Policy

- At the 2018 fall meeting of the Continuing Education Plan (CEP) Unit it was agreed that the allocation to the Salary Source Account be continued for one year effective January 1, 2019 and that the Bonus for Use be continued at 5% for 2019. 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.

- An employee is not permitted to use the funds in his/her account within the three months prior to the date of retirement or termination.
- Replacements of identical types of computer hardware i.e. desktops, laptops, tablets, ipads, smart phones etc. are permitted only after 3 years from the date of purchase of initial product.
- 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 prior to 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

For continuing education opportunities you may visit CEP Online:

<http://cep.anglican.ca>

PENSION OFFICE WEBSITE

The Pension Office website is:

www.anglicanpension.ca

The website contains information on Canons, Regulations, plan documents, various forms, newsletters, financial statements, and links to Great West Life's 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, 2018, the market value of the Endowment Funds totaled \$ 5,827,992, and the one year returns were -5.5 %. 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.

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

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 June 2019 are:

- **Letko Brosseau:** Canadian & Global Equity
- **Philips Hager & North:** Enhanced Long Bonds
- **Macquarie:** Infrastructure
- **Neuberger Berman:** Private Debt
- **CIBC Asset Management:** Currency Hedging
- **Greystone:** Real Estate
- **Bentall Kennedy:** Real Estate
- **Baillie Gifford:** Global Equity
- **Fiera CGOV :** Canadian & Global Equity
- **Canso Investment:** Corporate Credit
- **Asset Consultant:** Mercer Canada
- **Custodian:** CIBC Mellon
- **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, since it is used to determine Plan funding, certain adjustments are permitted. Adjustments include the current value of any going-concern special payments required over the next five years along with smoothing asset values and the liability interest assumption.

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.

**MEMBERSHIP OF THE
PENSION COMMITTEE – JUNE 2019**

EX-OFFICIO MEMBERS:

The Most Rev. Fred Hiltz - Primate
The Ven. Michael Thompson - General Secretary
Ms. Hanna Goschy - Treasurer
Ms. Cynthia Haines-Turner - Prolocutor
Ms. Judy Robinson - Director of Pensions

ELECTED BY 2016 GENERAL SYNOD:

The Rt. Rev. Mary Irwin-Gibson - Montreal
The Rt. Rev. David Irving - Saskatoon
The Ven. David Selzer - Ottawa
The Ven. Samuel Rose - E. Nfld & Labrador
Mr. Robert Dickson - New Westminster
Mrs. Shara Golden - Fredericton

TRUSTEES:

Ms. Karen McRae - Toronto
Mr. Bob Boeckner - Toronto
Mr. Jordan N. Fremont - Toronto
Ms. Sheryl Kennedy - Toronto
Mr. Stephen Koning - Calgary
Ms. Josephine Marks - Toronto
The Rt. Rev. Philip Poole - Toronto
Mr. David Stovel - Toronto
The Rt. Rev. William Cliff - Brandon

**APPOINTED BY THE PENSION
COMMITTEE:**

Ms. Jane Osler - New Westminster
Rev. Canon Todd Townshend - Huron
Mr. Michael Attwood - Toronto
The Ven. Alan Perry - Edmonton
Canon Mike Lowery - Brandon

OBSERVERS:

Ms. Jane Mesich - Algoma
Ms. Sharon Chandler - Toronto
Ms. Sharon White - Niagara
The Rev. Richard Dentinger - Toronto
Ms. Anne Layton - 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 Governance & Compliance Officer	Ext. 207
Stricker, Lynda Pension & Benefits Administrator	Ext. 208
Tumiati, Iyona Benefits & CEP Administrator	Ext. 210
Honoridez, Emily Fe Accounting Officer	Ext. 214
Villaverde, Jomarie Staff Accountant	Ext. 218
Ng, Yvonne Pension & Benefits Administrator	Ext. 219

E-mail: first initial last name @anglicanpension.ca

**The Pension Office Corporation
The Anglican Church of Canada
Suite 401-625 Church Street
Toronto, ON, M4Y 2G1, Canada**

**Tel: (416) 960-2484
Toll free: 1-800-265-1070
Fax: (416) 968-7689**

Email: inquiry@anglicanpension.ca



UPDATE ON THE GENERAL SYNOD PENSION PLAN

Proposed changes and what they mean for GSPP members

The Pension Committee and the Board of Trustees are considering expanding the General Synod Pension Plan (GSPP) to include members of the Lay Retirement Plan (LRP) and allow for groups outside the Anglican community to join.

It's important to understand that, **for GSPP members, nothing would change.** The goal is simply to enable the GSPP to open its doors to potential new employers, further reinforcing the plan's strength and stability.

Why GSPP Expansion Makes Sense

Expanding the GSPP offers some important advantages, including:

- A broader membership base with more contributions, which will help offset the ongoing trend of declining active plan membership;
- Economies of scale in plan administration and investment fees, due to a larger asset base; and
- An opportunity for LRP members and other groups outside of the Anglican community to join a quality pension plan with a strong infrastructure and a proven track record of performance.

Despite a challenging investment environment at the end of last year, the plan is well funded. Pension plans are designed to operate for a long time, so pension investing is, by nature, a long-term proposition.

Significant analysis has been conducted on the plan, which shows it will remain sustainable well into the future, and bringing new groups into the GSPP will help us build an even stronger foundation.

What Happens Next

Making these proposed changes requires amendments to the pension canons, to be presented for approval at General Synod in July 2019.

In its 2019 Budget, the Ontario government announced it will update the target benefit plan framework, allowing the Anglican Church's GSPP to be properly recognized as a target benefit multi-employer pension plan. As a target benefit pension plan, it is expected that the GSPP would be subject to more appropriate funding rules for its structure, which is necessary before any expansion plans can be implemented.

With General Synod occurring this year, the Pension Committee and the Board of Trustees felt it was prudent to lay the groundwork now. The actual timing of the GSPP expansion will depend on when the appropriate pension legislation is enacted.

Rest assured, you will continue to be apprised of new developments as they occur. Questions and answers will be posted on the Pension Office website, which will be updated as we move forward. In the meantime, if you have any questions, please contact the **Pension Office at 416-960-2484 or 1-800-265-1070.**