

**General Synod Pension Plan
of the Anglican Church of Canada
Financial Statements
For the year ended December 31, 2019**

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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, 2019, 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, 2019, 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, 2019 and 2018, assets as at December 31, 2019 and 2018 and net assets available for benefits as at January 1 and December 31 for both the 2019 and 2018 years. Our audit opinion on the financial statements for the year ended December 31, 2018 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.

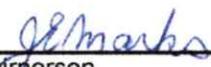
BDO CANADA LLP

Chartered Professional Accountants, Licensed Public Accountants
Burlington, Ontario
May 21, 2020

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

December 31	2019	2018
Assets		
Investments (Note 3)	\$ 940,287,734	\$ 842,504,030
Contributions receivable		
Employers	594,784	575,713
Members	264,904	256,410
Accrued interest, dividends and other income	2,136,952	2,395,838
Other receivables	104,371	96,718
	943,388,745	845,828,709
Liabilities		
Accounts payable and accrued liabilities	845,641	704,817
Due to related parties (Note 7)	17,000	115,801
Total net assets available for benefits	\$ 942,526,104	\$ 845,008,091
Net assets available for benefits		
Funds available for obligations of the General Synod Pension Plan	\$ 942,497,593	\$ 844,979,580
Additional voluntary contributions on deposit	28,511	28,511
Total net assets available for benefits	\$ 942,526,104	\$ 845,008,091

Approved by the Board:



 Chairperson



 Trustee

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

**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	2019	2018
Increase in net assets		
Contributions		
Employers	\$ 11,832,168	\$ 11,768,495
Members	5,269,789	5,241,430
	<u>17,101,957</u>	17,009,925
Investment income (loss) (Note 4)	133,800,440	(8,743,092)
Total increase in net assets	<u>150,902,397</u>	8,266,833
Decrease in net assets		
Benefit costs		
Pension payments	46,707,360	45,624,910
Lump sum termination payments	889,994	1,565,284
Death benefits	504,575	1,741,226
Family law benefits	119,377	127,279
	<u>48,221,307</u>	49,058,699
Administrative expenses (Notes 6 and 7)	5,163,077	4,386,719
Total decrease in net assets	<u>53,384,384</u>	53,445,418
Net increase (decrease) in net assets	97,518,013	(45,178,585)
Net assets available for benefits, beginning of year	<u>845,008,091</u>	890,186,676
Net assets available for benefits, end of year	<u>\$ 942,526,104</u>	<u>\$ 845,008,091</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, 2019

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 Regulatory Authority 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, 2019

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, 2019.

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.

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% (2018 - 5.3%) of their salaries to the Plan, while employers are required to contribute 11.9% (2018 - 11.9%) of their members' salaries.

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

December 31, 2019

1. Significant Accounting Policies (continued)

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 employer contributions are recorded on an accrual basis in the financial statements 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 a settlement date basis. Realized gains and losses from security transactions are based on the average cost of the security.

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 reported period. Actual amounts could differ from those estimates.

l. Income Tax Status

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

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

December 31, 2019

2. Description of the 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

On the death of an Active Member, the Member's Partner, or beneficiary if there is no Partner, is entitled to receive a lump sum payment equal to the commuted value of the benefit accrued by the Member to the date of death. A Partner may elect an alternate option in lieu of a lump sum payment (please see Regulation 7.1 for details).

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, 2019

3. Investments

(a) Investments

	2019			2018		
	Cost	Market Value	%	Cost	Market Value	%
Cash and short-term investments	\$ 8,295,083	\$ 8,217,272	0.87%	\$ 10,368,217	\$ 10,390,971	1.23%
Fixed income						
Canadian	44,072,510	46,644,309	4.96%	49,297,081	49,840,367	5.92%
Foreign	29,453,213	30,967,407	3.29%	31,606,283	31,307,255	3.72%
Canadian pooled fixed income investments	178,054,992	179,427,543	19.08%	172,626,088	168,201,626	19.96%
Total Fixed Income	251,580,715	257,039,259	27.33%	253,529,452	249,349,248	29.60%
Equities						
Common shares						
Canadian	81,909,489	118,511,161	12.60%	86,979,161	116,287,007	13.80%
Foreign	129,620,552	163,141,550	17.35%	129,759,645	150,543,381	17.87%
Foreign pooled equity investments	138,539,722	172,459,042	18.34%	138,420,596	154,862,414	18.38%
Total Equities	350,069,764	454,111,754	48.30%	355,159,402	421,692,802	50.05%
Canadian Real Estate	75,792,153	94,920,741	10.10%	82,261,066	97,373,622	11.56%
Foreign Pooled Infrastructure	59,355,759	57,930,258	6.16%	35,799,596	34,359,239	4.08%
Foreign Pooled Private Debt	67,082,979	64,460,588	6.86%	34,215,604	34,284,556	4.07%
	812,176,453	936,679,872	99.62%	771,333,337	847,450,438	100.59%
Investment Related Assets						
Unrealized gains on currency forwards	-	3,705,439	0.39%	-	340,371	0.04%
	812,176,453	940,385,311	100.01%	771,333,337	847,790,809	100.63%
Investment related liabilities						
Unrealized losses on currency forwards	-	(97,577)	-0.01%	-	(5,286,779)	-0.63%
	\$ 812,176,453	\$ 940,287,734	100.00%	\$ 771,333,337	\$ 842,504,030	100.00%

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

December 31, 2019

3. Investments (continued)

(b) Individually significant investments

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

	2019		2018	
	Cost	Market Value	Cost	Market Value
Pooled Funds				
Baillie Gifford Global Alpha Fund	\$ 73,763,089	\$ 92,527,100	\$ 74,792,891	\$ 88,529,583
Baillie Gifford Global Positive Change Fund	49,847,430	61,760,532	50,851,465	51,476,465
Canso Corporate and Infrastructure Debt Fund	9,076,715	8,567,384	9,933,854	9,155,447
LBA Emerging Markets Fund	14,929,203	18,171,410	12,776,240	14,856,366
Macquarie Infrastructure Partners III, LP	34,297,795	33,973,516	35,799,596	34,359,239
MIRA Infrastructure Global Solution II, LP	25,057,964	23,956,741	-	-
NB Private Debt Fund II LLP	33,566,453	31,089,729	25,265,474	24,704,137
NB Private Debt Cayman Fund III LLP	33,516,525	33,370,859	8,950,130	9,580,419
Phillips, Hager & North Long Bond Pension Trust	168,978,277	170,860,159	162,632,847	158,986,793
Real Estate				
Canadian				
Bentall Kennedy Prime Canadian Property Fund Ltd.	\$ 52,900,364	\$ 61,434,980	\$ 57,261,066	\$ 63,717,542
Greystone Real Estate Fund Inc.	22,891,789	33,485,761	25,000,000	33,656,080

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

December 31, 2019

4. Investment Income (Loss)

Investment income (loss) consists of the following:

	2019	2018
Bond, note and deposit interest	\$ 3,410,853	\$ 3,402,336
Dividends	9,137,660	9,052,441
Pooled fund distributions	30,848,311	33,144,835
Canadian private real estate	2,326,495	2,650,034
Net gain on disposal on investments	27,190,016	36,643,466
Net foreign exchange gain on disposal on investments	3,934,393	3,239,980
Net unrealized gain (loss) in the value on investments	61,339,396	(98,276,306)
Net unrealized foreign exchange gain (loss)	(4,446,043)	1,284,754
Securities lending	59,359	115,368
	\$ 133,800,440	\$ (8,743,092)

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:

	2019	2018
Estimated actuarial present value of accrued pension benefits, beginning of year	\$ 717,507,000	\$ 662,417,000
Accrued interest on benefits	41,982,000	38,647,000
Benefits accrued	12,669,000	12,518,000
Expenditures	(48,221,000)	(49,059,000)
Loss (gain) due to extrapolation of PfAD	(2,929,000)	53,147,000
Experience loss (gain)	-	(163,000)
	\$ 721,008,000	\$ 717,507,000

The estimated actuarial present value of accrued pension benefits as at December 31, 2019 is based on an actuarial valuation prepared as at December 31, 2017, which was extrapolated to December 31, 2019 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% (2018 - 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, 2019

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% (2018 - 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, with 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, 2019 and the adjusted market values at the 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:

	2019	2018
Net assets available for benefits	\$ 942,526,104	\$ 845,008,091
Market changes not reflected in the actuarial value of net assets	(49,226,104)	6,931,909
Actuarial value of net assets	<u>\$ 893,300,000</u>	<u>\$ 851,940,000</u>

The next required filing with the Financial Services Regulatory Authority of Ontario ("FSRA") is due September 30, 2021 based on December 31, 2020 amounts. The Board of Trustees and Management have elected to complete the full actuarial valuation at an earlier date, as of January 1, 2020.

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

December 31, 2019

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 :

	<u>2019</u>	<u>2018</u>
Actuarial - Eckler Ltd.	\$ 274,334	\$ 286,571
Administrative fees (Note 7)	912,581	900,695
Audit - BDO Canada LLP	61,687	59,591
Accounting consulting fees - BDO Canada LLP	2,994	6,588
Bank charges	3,831	4,475
Insurance	35,136	34,295
Investment consulting - Mercer Investment Consulting	141,408	112,684
Investment management and custodial fees	5,255,892	4,533,491
Legal - Koskie Minsky LLP	63,267	38,250
Legal - Blake, Cassels & Graydon LLP	33,222	-
Provincial registration fees	42,470	32,766
Sales tax rebate	(96,646)	(90,196)
Expense recovery	-	(61,049)
	<u>6,730,176</u>	<u>5,858,161</u>
Less: Paid by the Plan Administration Expense Fund	<u>(1,567,099)</u>	<u>(1,471,442)</u>
	<u>\$ 5,163,077</u>	<u>\$ 4,386,719</u>

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

	<u>2019</u>	<u>2018</u>
Investment management		
Baillie Gifford and Co.	\$ 756,006	\$ 760,809
BentallGreenOak (Canada) Limited Partnership	308,425	302,743
Canso Investment Counsel Ltd.	273,323	276,167
CIBC Asset Management	227,115	216,440
Fiera Capital Corporation	304,072	315,063
Greystone Managed Investments Inc.	413,662	397,077
Letko Brosseau and Associates Inc.	550,485	611,792
Macquarie Infrastructure Partners Inc.	434,974	503,741
MIRA Americas Inc.	324,000	-
Neuberger Berman Alternative Advisers LLC	959,527	486,806
Phillips, Hager & North Investment Management	530,393	482,651
CIBC Mellon - Custodial Services	173,910	180,202
	<u>\$ 5,255,892</u>	<u>\$ 4,533,491</u>

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

December 31, 2019

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 \$912,581 (2018 - \$900,695) was allocated to the Plan by the Corporation and is included in administrative expenses, at its exchange value (the amount of consideration established and agreed to by the parties).

The following amounts are due from (to) related parties at December 31:

	2019	2018
Pension Office Corporation of the Anglican Church of Canada	\$ -	\$ 267
Employee Benefit Plan of the Anglican Church of Canada	-	(101,824)
Endowment Fund of the Anglican Church of Canada	(390)	684
Plan Administration Expense Fund	(16,610)	(14,928)
	\$ (17,000)	\$ (115,801)

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.

On March 11, 2020, the World Health Organization declared the outbreak of the coronavirus (COVID-19) pandemic resulting in economic uncertainties impacting the Plan's risks. At this time, the full potential impact of COVID-19 on the Plan is not known.

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.

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

December 31, 2019

8. Financial Risk Management (continued)

a) Market risk (continued)

Interest Rate Risk

Interest Rate Risk is the risk that the value or 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 one percent in nominal interest rates, with all other variables held constant would result in an approximate decrease/increase of \$26.7 million (2018 - \$28.9 million) in the value of the Plan's fixed income investments.

As a result of the COVID-19 pandemic, many governments around the world have adjusted interest rates to mitigate the economic impact of the pandemic. Such changes to interest rates could have a material impact on the fair value of the Plan's interest bearing 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, 2019 the investment manager is currently hedging 100% (2018 - 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 at that time. The policy is monitored by them 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% overall target hedge ratio. Hedging policy is reviewed regularly by the Board of Trustees.

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

	2019		2018	
	Net Exposure	Impact of +/- 5% change	Net Exposure	Impact of +/- 5% change
Investments subject to currency risk				
United States	\$ 162,656,117	\$ 8,132,806	\$ 117,481,049	\$ 5,874,052
Eurozone	24,860,123	1,243,006	17,274,070	863,704
United Kingdom	7,020,615	351,031	7,054,160	352,708
Asia Pacific	19,906,171	995,309	16,513,038	825,652
Europe - Other	29,715,712	1,485,786	29,429,065	1,471,453
Emerging markets	45,023,421	2,251,171	36,642,898	1,832,145
	\$ 289,182,159	\$ 14,459,109	\$ 224,394,280	\$ 11,219,714
As % of Net Assets	30.68%		26.56%	

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

December 31, 2019

8. Financial Risk Management (continued)

a) Market risk (continued)

Currency risk (continued)

As a result of the COVID-19 pandemic, and the global economic uncertainty it has given rise to, there has been significant volatility in global foreign exchange rates subsequent to year end. The effect of the changes in foreign exchange rates may have an impact on the fair value of the Plan's foreign currency investments in excess of the above sensitivity analysis.

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 primarily on its investments in equities. An increase/decrease in the market prices for equities of 10%, with all other variables held constant, would result in an approximate increase/decrease in the Funds' investments of \$45 million (2018 - \$42 million). The Plan manages that risk by diversifying its investments in accordance with the Statement of Investment Policies and Procedures prepared by the Trustees of the Plan.

As a result of the COVID-19 pandemic, and the global economic uncertainty it has given rise to, there has been significant volatility in the global and domestic markets subsequent to year end. Accordingly, the overall downturn in the markets since year end has had a negative impact on the fair value of the Plan's investments in excess of the above sensitivity analysis.

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 prudently diversified fixed income portfolio comprising investment in a long bond fund 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, currency and rating of fixed income securities to reduce risk.

Other debt instruments, such as foreign pooled private debt, are unrated debt securities and are subject to credit risk.

As at December 31, 2019:

Rating	Corporate Bonds	Pooled Funds*	Short-term	Total	% of Total
AAA/R-1 High	\$ 9,192,595	\$ 33,786,137	\$ 2,579,587	\$ 45,558,319	18%
AA/R-1 Middle	9,044,986	28,935,797	451,939	38,432,722	15%
A	15,072,333	54,440,270	-	69,512,603	27%
BBB	28,961,989	31,288,863	-	60,250,852	23%
Below BBB/Unrated	15,339,813	28,220,394	-	43,560,207	17%
	\$ 77,611,716	\$ 176,671,461	\$ 3,031,526	\$ 257,314,703	100%

*Numbers are extrapolated based on 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, 2019 audited financial statements of Phillips, Hager & North Investment Management and Canso Fund Management Inc.

**General Synod Pension Plan of the
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Notes to Financial Statements**

December 31, 2019

8. Financial Risk Management (continued)

b) Credit Risk (continued)

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 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.

As a result of the COVID-19 pandemic, and the economic uncertainty it has given rise to, the credit ratings of the Plan's fixed income investments may have deteriorated subsequent to year end.

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, 2019:

	Number of Contracts	Notional amount	Fair Value	
			Assets	Liabilities
Currency Forwards	60	\$ 278,257,272	\$ 3,705,439	\$ (97,577)

As at December 31, 2018:

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

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, 2019 the Plan had \$35.4 million (2018 - \$24.0 million) of securities on loan and held collateral of \$38.1 million (2018 - \$25.8 million).

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Notes to Financial Statements**

December 31, 2019

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 Plan's investments in infrastructure, real estate and private debt may be exposed to higher degree of liquidity risk.

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

As at December 31, 2019:

	Term to Maturity					Total
	Within 1 Year	1 to 5 Years	5 to 10 Years	Over 10 Years		
Short-term notes	\$ 3,031,526	\$ -	\$ -	\$ -	\$ -	\$ 3,031,526
Corporate bonds	676,164	36,172,066	8,472,060	32,291,426		77,611,716
Pooled bond funds*	2,865,541	17,152,771	32,971,040	123,682,109		176,671,461
Total	\$ 6,573,231	\$ 53,324,837	\$ 41,443,100	\$ 155,973,535		\$ 257,314,703

As at December 31, 2018:

	Term to Maturity					Total
	Within 1 Year	1 to 5 Years	5 to 10 Years	Over 10 Years		
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
Total	\$ 6,512,171	\$ 25,343,819	\$ 50,850,092	\$ 167,553,647		\$ 250,259,729

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.

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.

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8. Financial Risk Management (continued)

d) Financial Instruments Fair Value Hierarchy (continued)

As at December 31, 2019	Level 1	Level 2	Level 3	Total
Cash and short-term investments	\$ 8,217,272	\$ -	\$ -	\$ 8,217,272
Fixed Income				
Canadian	-	46,644,309	-	46,644,309
Foreign	-	30,967,407	-	30,967,407
Canadian pooled fixed income investments	179,427,543	-	-	179,427,543
Total Fixed Income	179,427,543	77,611,716	-	257,039,259
Equities				
Common shares				
Canadian	118,511,161	-	-	118,511,161
Foreign	163,141,550	-	-	163,141,550
Foreign pooled equity investments	172,459,042	-	-	172,459,042
Total Equities	454,111,754	-	-	454,111,754
Canadian Real Estate	-	-	94,920,741	94,920,741
Infrastructure	-	-	57,930,258	57,930,258
Private Debt	-	-	64,460,588	64,460,588
Investment related assets	-	3,705,439	-	3,705,439
Investment related liabilities	-	(97,577)	-	(97,577)
	\$ 641,756,569	\$ 81,219,578	\$ 217,311,587	\$ 940,287,734

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December 31, 2019

8. Financial Risk Management (continued)

d) Financial Instruments Fair Value Hierarchy (continued)

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)
	\$ 600,285,399	\$ 76,201,214	\$ 166,017,417	\$ 842,504,030

There were no significant transfers between Level 1 and Level 2 for the years ended December 31, 2019 and December 31, 2018.

The following is a reconciliation of Level 3 fair value measurements for the year ended December 31, 2019:

	Real Estate	Infrastructure	Private Debt	Total
Balance, beginning of the year	\$ 97,373,622	\$ 34,359,239	\$ 34,284,556	\$ 166,017,417
Capital contributions	-	24,719,541	37,116,770	61,836,311
Returned capital	(6,468,913)	(1,163,378)	(4,249,395)	(11,881,686)
Unrealized gains (losses)	4,016,032	14,856	(2,691,343)	1,339,545
Balance, end of the year	\$ 94,920,741	\$ 57,930,258	\$ 64,460,588	\$ 217,311,587

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

December 31, 2019

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

9. Capital Management

The Plan considers its capital to consist of net assets available for benefits as presented in the Statement of Net Assets Available for Benefits. 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 15, 2019.

There were no significant changes from the previously approved SIP&P.

The Plan's expected long-term annual nominal investment return is 6.0% (2018 - 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, 2019 was 10.1% (2018 - 10.1%).

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, 2019

9. Capital Management (continued)

Asset categories	Benchmark	Asset allocation %				One Year Annual rate of investment return (%)			
		SIP&P Target		As of December 31st		Benchmark		Actual	
		2019	2018	2019	2018	2019	2018	2019	2018
Cash & Equivalents*	FTSE 91 Day T-Bill Index	0	0	1	1	N/A	N/A	N/A	N/A
Fixed Income	33% FTSE Corporate Bond Index and 67% FTSE Long Bond Index	30	30	27	30	11.2	0.6	12.9	0.4
Equities									
Canadian Equities	S&P/TSX Composite Index					22.9	-8.9	16.7	-11.9
Global Equities	69% MSCI World (\$Cdn) and 31% MSCI ACWI (\$Cdn)					21.4	-0.2	21.4	-1.6
Total Equities		50	50	48	50				
Alternatives									
Real Estate	FTSE TMX Canada Universe + 2.5%	10	10	10	12	9.5	4.0	8.5	9.0
Infrastructure	FTSE TMX Canada Universe + 3.5%	5	5	6	4	N/A	N/A	N/A	N/A
Private Debt	BoA Merrill Lynch US High Yield Master II USD + 2.5%	5	5	7	4	N/A	N/A	N/A	N/A
Total Alternatives		20	20	23	20				
Currency Overlay		0	0	1	-1	5.7	-7.0	5.5	-6.7
Total Investments	Composite Index	100	100	100	100	17.5	-1.4	15.9	-1.3

*Performance information is not calculated for the cash portfolio

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

December 31, 2019

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 US dollars, of which \$4,382,620 US Dollars 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 US dollars, of which \$4,696,382 US Dollars remains outstanding at year end. The future commitments are payable upon demand over a period of no more than ten months.

The Plan has made a commitment to an investment in Neuberger Berman Private Debt Fund III Cayman LP of \$40,000,000 US dollars, of which \$14,187,236 US Dollars remains outstanding at year end. The future commitments are payable upon demand over a period of no more than one year.

The Plan has made a commitment to an investment in MIRA Infrastructure Global Solutions II,LP of \$30,000,000 US dollars, of which \$10,964,767 US Dollars remains outstanding at year end. The future commitments will be payable on demand based on the capital needs of the investment.

11. Comparative Figures

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