
Pension Office Newsletter

June 2012

The Anglican Church of Canada

Number 15

GENERAL SYNOD PENSION PLAN

The past year was a tough one for pension plans in Canada – and around the world. The General Synod Pension Plan (GSPP) was no exception. Despite sound governance and investment practices, our plan has a growing “solvency” funding shortfall. At the same time, it continues to have a small “going concern” surplus.

It is important to understand that, for the time being, the solvency funding shortfall has no impact on your pension benefits. Having a “solvency shortfall” means that if our plan had suddenly ended on the date of the Actuary’s report, there would not have been enough money on hand to pay out the full value of the lifetime pensions earned by active, inactive and retired members in a single lump-sum on that day. Solvency funding is important for plans where there is a risk of the plan sponsor shutting down or going out of business, but for plans like ours, going concern funding is far more meaningful. The Actuary’s “going concern” report measures the health of the plan assuming contributions will continue to come into the plan and pensions will continue to be paid out for many years to come.

As we have reported in previous newsletters, the Board of Trustees and the Actuary have been working hard to have our plan join a special class of plans that are exempt from solvency funding. In the meantime, with so many plans facing solvency funding shortfalls, the government of Ontario (where our plan is registered) has introduced special

solvency funding relief measures. We are now taking advantage of these measures.

However, if we are unable to get exemption from solvency funding by May 31, 2013 – which is when the next report on our plan is due to be filed with the pension regulator, we will need to make changes to our plan to address our solvency shortfall.

Your Pension Committee and the Board of Trustees will continue to monitor Canadian and global financial markets and work with the plan’s advisors to determine the best way to maintain the highest possible level of financial security for our members. You will be kept informed of the plan’s progress on an ongoing basis.

LEGISLATIVE UPDATE

Letters have been written to the Hon. Dwight Duncan, Ontario Minister of Finance, to request that the GSPP be designated as a Specified Ontario Multi-Employer Pension Plan (SOMEPP). SOMEPPs are required to report their solvency funding level, but are not required to be fully funded from a solvency standpoint.

We have also met with staff from the Ministry of Finance with the purpose of ensuring that the Ministry was aware of the GSPP’s circumstances when developing new pension law.

Last August, we received a letter from the Hon. Dwight Duncan, Minister of Finance, indicating that the government does recognize the difficulties faced by plans like

the GSPP and want to work with our organization to explore practical solutions.

The Trustees retained the legal services of Koskie Minsky LLP, who studied the General Synod governance structure and responded to the Minister of Finance.

Following the confirmation from Minister Duncan, the Actuary contacted FSCO (Financial Services Commission of Ontario) to discuss the funding requirements for the required 2011 actuarial valuation report, possibly including, not imposing the solvency funding requirements.

FSCO suggested that the GSPP file the actuarial report and take advantage of two aspects of temporary funding relief granted to all pension plans. The first is to defer payment towards any solvency shortfall for 1 year. The second is to extend the solvency amortization period from 5 years to 10 years. Further, FSCO would not require the actuarial valuation report to reflect any solvency funding requirements for the first year (which is normally required). Following discussions with the Trustees, the Actuary prepared an actuarial valuation report based on FSCO's suggestions and filed the report as of August 31, 2011. The next required actuarial valuation report is due as of August 31, 2012 and must be filed with FSCO by May 31, 2013.

ACTUARIAL VALUATION

- **GOING CONCERN VALUATION**

Membership Data Summary

	31/8/2011	31/8/2008
Active members	1,674	1,800
Average age	52.7	51.9
Retired members & beneficiaries	2,616	2,496
Average age	76.5	75.5
Inactive members	684	729

Active Member Profile

Average age of active members in this valuation is 52.7 compared to 51.9 in the 2008 valuation. It has increased by almost one year. Since the cost of benefits increases as average age increases, the ageing of active members continues to be a concern.

For purposes of the valuation, the Actuary has adopted a 5 year asset smoothing method. The effect of asset smoothing is to recognize recent gains and losses over the last 5 years. The large loss from 2008 is not fully recognized and will result in losses through 2012.

Going Concern Valuation Results

The actuarial valuation report indicates that the GSPP is fully funded at August 31, 2011 with a going concern excess of \$199,000. This compares with an excess of \$29,667,000 as of August 2008.

- **SOLVENCY VALUATION**

The solvency valuation showed that if the plan had ended on August 31, 2011, it would have had enough assets to provide for 75.4% of the total benefits earned under the GSPP.

Without solvency funding relief, the total member and employer contributions would need to be increased to over 40% of pay which is in excess of the maximum permitted under tax law, or some form of benefit reductions would be required. With solvency relief, contributions can remain at their current level and no plan changes are required this year.

INVESTMENT PERFORMANCE

The market value of the assets of the GSPP at March 31, 2012 was \$577.5 million. The investment returns for the total fund and the benchmark returns are as follows:

	Fund Return	Benchmark
Q1 2012	5.4%	4.6%
1 year	6.1%	6.8%
4 years	3.5%	4.2%
10 years	6.2%	5.4%

CHANGES IN THE PENSION LAW

The Actuary, reported that in late April 2012, the Ontario government released draft Regulations implementing certain changes in the pension law. These provisions are to become effective July 1, 2012 (some are already in effect). The GSPP was amended to comply with changes in the pension law.

- Employers that end participation in the plan must immediately pay all contributions owing to the plan.
- The plan will stop counting service for purposes of early retirement after an employer ends its participation.
- All benefits will immediately vest for all members (members no longer require 2 years of continuous service to earn the right to their benefits).
- Currently, members are deemed to terminate if they are no longer employed by a Participating Employer for 2 years. The GSPP has been amended so that the date of termination is the date that the member makes application for benefits.
- Pension plans are required to provide enhanced benefits to certain members if they are involuntarily terminated. These provisions are optional for multi-employer pension plans like the GSPP and an election was made not to provide additional benefits but to continue to provide the same level of termination benefits for all terminated members.

PENSION OFFICE STAFF NEWS

Grace Kwong, Senior Accountant, took early retirement effective December 31, 2011. Grace had been on staff for almost 36 years and her work was appreciated by the Pension Committee, the diocesan administrators and the plan members. While we are all very happy for Grace, she will be missed by her colleagues.

PENSION OFFICE WEBSITE

The Pension Office website has been redesigned: www.anglicanpension.ca. The website contains information on Canons, the Regulations, plan documents, various forms and newsletters, links to Group Retirement Services which members and employers can download.

ENDOWMENT FUNDS

The Endowment Funds are invested with the assets of the GSPP. These funds have been donated to the Pension Fund in order to supplement pensions of retired members and survivors. In addition to making cash donations to the Endowment Funds, it is now 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 which are given to the Endowment Funds. If you have any questions, please do not hesitate to call the Pension Office.

CONTINUING EDUCATION PLAN

• Administrative Policy

Canada Revenue Agency (CRA) requires that all funds used in the CEP by the account holders must be for the benefit of the employers. Our administrative policy is that account holders **are not permitted** to use the funds in their account **within three months** of the date of their retirement or

termination, in order to satisfy CRA's requirement.

ACKNOWLEDGEMENT

The Pension Committee members learned with sadness the passing of:

- Canon Fred Scott who was a member of the Pension Committee for the past 9 years and made a valuable contribution to the work of pension and benefits.
- The Rev. Canon Doug Hodgkinson was remembered as the builder of the foundation for the Continuing Education Program.

The Pension Committee accepted the resignation of Canon Stephen Adams and thanked him for his 22 years of service on the Pension Committee and its Central Advisory Group.

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 2012 are:

- Letko, Brosseau: *Canadian/Global Equity Mandate*
- State Street Global Advisors: *Enhanced Long bonds and Dynamic Currency Hedging Mandate*
- 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** - analyzes 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** - measures the financial position of a pension plan assuming that the plan will continue indefinitely.
- **Solvency Valuation** - measures the financial position of a pension plan as if the plan were to be wound up on the valuation date.
- **Solvency Funding** - the process of making systematic payments into a pension trust fund, or changes to the benefit formula, to eliminate a solvency deficiency.
- **SOMEPP** - Specified Ontario Multi-Employer Pension Plan – a special class of multi-employer pension plans that are not required to fund any solvency shortfalls.

**MEMBERSHIP OF THE PENSION
COMMITTEE - JUNE 2012**

EX-OFFICIO MEMBERS:

The Most Rev. Fred Hiltz - The Primate
The Ven. Michael Thompson - General
Secretary
Canon Robert Falby - Prolocutor
Ms. Michèle George - Treasurer
Ms. Judy Robinson - Director of Pensions

ELECTED BY 2010 GENERAL SYNOD:

The Rt. Rev. Stephen Andrews - Algoma
The Rt. Rev. David Irving - Saskatoon
The Rev. Perry Cooper - C. Nfld.
The Rev. Canon Alan Perry - Edmonton
Mr. John McBride - Ottawa
Canon Elizabeth Barnes - E. Nfld. & Labrador

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. Bruce Bryant-Scott - B.C.
The Ven. Ron Harrison - New Westminster
Canon Mike Lowery - Brandon

OBSERVERS

Mr. Peter Flemming - Nova Scotia & PEI
Ms. Priscilla Healy - Toronto
Mr. David Kidd - Toronto
Mr. George Mayo - Toronto

**PENSION OFFICE
STAFF**

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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