
Pension Office Newsletter

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The Anglican Church of Canada

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GENERAL SYNOD PENSION PLAN

The Pension Committee and the Trustees continue to monitor financial markets very carefully. The Trustees regularly meet with the Asset Consultant and the Fund Managers to review the investments of the Fund. The top priority is to continue to provide the highest possible level of financial security for plan members.

INVESTMENT MARKETS

Mercer, the Asset Consultant, reported that 2009 was a year of substantial recovery for financial markets around the world. Nevertheless, there is still a lot of volatility in the markets and the strong Canadian dollar continues to pose a challenge when returns on foreign investments are converted back into Canadian dollars.

INVESTMENT PERFORMANCE

The market value of the Fund as at December 31, 2009 was \$543.9 million. The investment returns for the total portfolio and the benchmark returns are as follows:

	Fund Return	Benchmark
2009	15.7%	15.8%
2008	-19.0%	-16.8%
2007	1.8%	1.5%
2006	15.7%	12.6%
2005	13.5%	12.0%

THE ESTIMATED FINANCIAL POSITION DECEMBER 31, 2009

Eckler Ltd., the Actuary, prepared an estimate of the financial position of the GSPP as of December 31, 2009 based on unaudited financial statements and extrapolation of liabilities from the prior valuation. The estimate assumes no change in demographic experience.

Results:

- a going concern shortfall of \$44.5 million and
- a solvency shortfall of \$77.6 million

This reflects the improved financial markets of 2009.

The average annual return over the 5-year period was 4.7%. The GSPP needs a return of 6.0% to support the benefits.

The reduction in the accrual rate in 2010 from 2% to 1.8% has resulted in a reduction of the cost of benefits from 14.4% to 13.0% of salary. Employer contributions increased to 11.2% on January 1, 2010 and will increase to 12.4% on January 1, 2011. The combination of lower pension accrual and higher employer contributions will eliminate about \$40 million of the going concern shortfall. If solvency funding is still applicable, additional plan changes may be required in the future.

The next full actuarial valuation is required to be conducted no later than August 31, 2011.

LEGISLATIVE UPDATE

The Actuary reported that the lobbying effort continues to seek permanent removal of solvency funding for the GSPP.

As previously advised, the Trustees and the Pension Committee sent a letter to the Hon. Dwight Duncan, Ontario Minister of Finance, to request that the GSPP be designated as a SOMEPP (Specified Ontario Multi-Employer Pension Plan). If the GSPP is so designated, a solvency deficiency would not require ongoing funding payments.

Our Actuary met with senior Ministry of Finance officials in January to ensure that they were aware of the unique circumstances of the GSPP and why it should qualify as a SOMEPP.

Ontario has announced the first round of pension reforms, which were primarily technical in nature but which also included immediate vesting of all benefits and the ability to offer phased retirement.

Round 2 was announced in the March provincial Budget with details expected later this year. The Pension Committee will be considering the impact on the GSPP when the final rules are released.

As a result of implementation of the Harmonized Sales Tax (HST), investment management, consulting custody, legal and other fees will now incur 8% more in tax.

Manulife Financial Group Plan

Effective January 1, 2010, Acupuncturist has been added to the list of practitioners under the Extended Health Care Plan Professional Services coverage. The annual maximum will be the same as the Chiropractor limit under the Plan.

GLOSSARY OF TERMS

Accrual rate - the rate at which pension benefits are earned each year based on the benefit formula.

Actuarial Valuation - An 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.

Cost of benefits - The cost of benefits earned by all members during a plan year.

Extrapolation - Extrapolation is a method of estimating the future value of a plan's liabilities. This estimate may be reasonably reliable for short periods, but becomes less accurate for longer periods.

Going concern valuation - The actuarial valuation assuming the plan will continue to operate indefinitely.

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

Solvency valuation - The actuarial valuation assuming the plan will wind up immediately and pay out all benefits.

SOMEPP - Specified Ontario Multi-Employer Pension Plan - a special class of multi-employer pension plans that is not required to fund any solvency shortfalls.

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