

THE PENSION COMMITTEE

To the Members of the General Synod:

The Pension Committee is responsible for the following pension and benefit plans:

1. *The General Synod Pension Plan (Canon VIII)*
2. *The Lay Retirement Plan (Canon IX)*
3. *The Long Term Disability Plan (Canon VIII)*
4. *The Long Term Disability Plan Pre-2005*
5. *The Pension Endowment Funds (Canon VIII)*
6. *The Group Employee Benefits Program*
7. *The-Self Insured Death Benefit Plan*
8. *The Continuing Education Plan (Canon XII)*

The following is a summary of the work of the Pension Committee during the period June 2010 to March 2013.

1. THE GENERAL SYNOD PENSION PLAN (GSPP)

The General Synod Pension Plan (GSPP) is a defined benefit multi-employer plan and is registered with CRA (Canada Revenue Agency) as a SMEP (Specified Multi Employer Plan).

The Plan membership is currently composed of 66% pensioners and deferred pensioners and 34% actively contributing members. The average age of the active members continues to increase. The current average age is 52.5 years.

Actuarial Valuations

- August 31, 2011

The Trustees have been lobbying the Ministry of Finance with respect to the challenges facing the GSPP and requesting a solvency funding exemption. Cameron Hunter, the Actuary, also approached FSCO (Financial Services Commission of Ontario) who agreed to grant the GSPP temporary solvency funding relief. As authorized by the Trustees, the Actuary conducted an actuarial valuation of the GSPP as of August 31, 2011 to take advantage of the current solvency funding relief recommendation from FSCO, in particular, the one year delay in funding a solvency shortfall and the extended 10-year amortization period. This valuation was filed with FSCO by May 31, 2012. It was also said that the next valuation will be required as of August 31, 2012.

Market rate of return net of investment expenses:

- | | |
|---------------------|--------|
| • 2009 | 14.79% |
| • 2010 | 10.14% |
| • 2011 (to Aug. 31) | -0.11% |
| • 3 year average | 2.06% |

The balance sheet showed an excess of \$199,000 on the going concern basis and a shortfall of \$113,410,000 on the solvency basis.

- August 31, 2012

Cameron Hunter, the actuary completed the 2012 valuation and our goal is to file the same before May 31, 2013. The Board of Trustees has agreed in principle that the Pension Office pay expenses outside the Pension fund. This goal can be accomplished if a source of funds is available to pay plan expenses from outside the plan.

Market rate of return net of investment expenses:

- | | |
|-----------------------|--------|
| • 2011 (Sep to Dec) | 2.69% |
| • 2012 (Jan – August) | 7.17% |
| • 1 year return | 10.04% |

The balance sheet showed a deficiency of \$28,729,000 on the going concern basis and a shortfall of \$169,612,000 on the solvency basis.

Solvency Funding Status – Update.

A letter was sent to the Ministry of Finance requesting Specified Ontario Multi Employer Pension Plan designation, as the solvency funding exemption for specified Ontario multi-employer pension plans (SOMEPPs) was extended to 2017. A response was received from the Ministry of Finance and the letter suggested that we take advantage of the solvency relief funding measures as announced in the 2012 Ontario Budget. Unfortunately, these solvency relief measures applied to single employer pension plans only and not to multi-employer pension plans like ours.

During 2011 and 2012, Judy Robinson, Cameron and the Plan’s legal counsel had several meetings with Donna Cansfield MPP at the Ministry of Finance. They also met with Stephen Orsini, Deputy Minister of Finance.

The Trustees considered actions necessary to file the 2012 actuarial report without solvency funding. We are aware that not-for-profit organizations do not qualify to be SOMEPPs; however, there is no public policy for that. Secondly, under a SOMEPP, a collective bargaining agreement is required which stipulates the GSPP contribution rate. Our lawyer explained our governance structure, how we operate and the way decisions are made that concludes that our members basically have a veto power on all GSPP changes. He is prepared to argue on our behalf that this governance structure resembles collective bargaining. At the request of Stephen Orsini, a letter was sent to the Ministry of Labour describing the structure. Our argument was rejected by the Ministry of Labour which may result in a dispute with the pension regulator.

In December 2012 and January 2013, there were two meetings with senior staff at the Ontario Ministry of Finance. It appears that the Ministry is going to grant us temporary solvency funding exemption with certain conditions such as:

- obtaining membership approval of at least 2/3, in all categories of membership.
- approaching Finance Canada to allow higher contribution than the 18% maximum

- permissible by law.
- committing to conducting a sustainability study

Threshold Ministries

The Pension Committee reviewed correspondence between the Pension Office, Archbishop Fred Hiltz and the Threshold Ministries (formerly the Church Army) about the change in the relationship between Threshold Ministries and the Anglican Church of Canada. David Jones, Q.C., the General Synod Chancellor, was asked to provide a written legal opinion on the relationship between the Anglican Church of Canada and Threshold Ministries and its impact on Threshold Ministries' ongoing eligibility to be a participating employer in the GSPP and Benefits Plans. A Sub-Committee was struck to further review the issue.

Section 1.b)iii) Canon VIII defines Church to mean The Anglican Church of Canada or any other body in the Anglican Communion, which by agreement with the Pension Committee has been accepted as a participant in the Pension Plan with respect to pension provision for its clergy and/or lay employees.

The Pension Committee asked the Chancellor to provide a legal opinion which stated that in his opinion, as a result of Threshold Ministries' recent amendments to its constitution, Threshold Ministries has no institutional connection to the Anglican Church of Canada (ACC), and the impact of this state of affairs is that Threshold Ministries has ceased to meet the eligibility requirements set out in Canon VIII to remain a Participating Employer in the Pension Plan. When advised of the legal opinion, Threshold Ministries indicated that it is their desire to continue their affiliation and partnership with the ACC and asked for suggestions on changes they can make to allow them to continue as a Participating Employer. They were advised of the Pension Committee's six recommendations that the Threshold Ministries amend its constitution (and not merely adopt a policy). These 6 required amendments are:

- Threshold Ministries is Anglican and is institutionally connected with The Anglican Church of Canada.
- The Primate shall nominate for appointment by Council of General Synod two members of the Board.
- The Primate will appoint the Episcopal Visitor with the concurrence of the House of Bishops.
- Before a Threshold Evangelist can work in an Anglican Church of Canada setting in a diocese, the Threshold Evangelist must have the approval of the diocesan bishop and there must be a signed working agreement between the diocesan bishop and the Threshold Evangelist before work may begin. Ordained Anglicans in Threshold must have licenses from the bishop where they serve.
- Threshold Ministries must also inform the diocesan bishop of the placement of a Threshold Evangelist working in another denominational setting in the diocese.
- As a matter of courtesy, Threshold Ministries will request the permission of the Bishop of Fredericton for any ordained minister from outside of the diocese or from another denomination to preside at any service of worship at Taylor College.

The Pension Committee is pleased to report that it was advised by the Threshold Ministries that at a special meeting of its Corporation, By-Law No 2 relating to Threshold Ministries' relationship with the ACC, was approved. All the recommendations of the Pension Committee have been incorporated in the By-Law which will become effective when it has been confirmed at a meeting of the members of the Corporation.

Investment Management of the Fund

Effective July 1, 2011, the benchmark portfolio (ex-overlay) is 25% DEX Long-Term Bond Index, 10% DEX Corporate Bond Index, 20% S&P/TSX Composite Index, 24% MSCI World (\$Cdn), 11% MSCI ACWI (\$Cdn), and 10% Canadian Real Estate Benchmark. Total fund benchmark with overlay consists of the total fund ex-overlay benchmark and currency overlay benchmark return pro-rated for total equity weight of the total fund (54.3% as at December 31, 2012). For the four years ending December 31, 2012, the total fund with currency overlay outperformed its benchmark by 0.4% and ranked in the first quartile of the Mercer Universe of Balanced Pooled Funds.

The investment returns for the total fund including currency overlay and the benchmark returns for the period ending December 31, 2012 are as follows:

	2012-Q4	1 year	4 years	10 years
Total Portfolio With Currency Overlay	3.4%	13.2%	10.3%	7.5%
Benchmark	1.6%	9.7%	9.9%	6.7%
Excess Return	1.8%	3.5%	0.4%	0.8%
Quartile in the Mercer's Universe of balanced fund managers	Q1	Q1	Q1	Q1

Asset Mix Policy as of March 2012

The target asset mix is: Equities: 55%, Fixed Income: 35% and Real Estate: 10%.

Manager Update

Terminated BlackRock and appointed State Street Global Advisors for a passive fixed income mandate and for dynamic currency hedging. Terminated Alliance Bernstein and appointed Baillie Gifford for a global equity mandate. Terminated BNP Paribas and appointed Bentall Kennedy for an open-end real estate mandate.

Fund Managers/Mandates as of December 2012

- 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

Membership in the GSPP

The total membership of the GSPP for the past three years has been as follows:

Non-Retired Members	2010	2011	2012
❖ <i>Active</i>	1,767	1,742	1,700
❖ <i>Inactive</i>	696	685	656
Total	2,463	2,427	2,356
Pensioners			
❖ <i>Members</i>	1,962	1,998	2051
❖ <i>Surviving Spouses</i>	630	634	632
Total	2,592	2,632	2,683

The Pension Committee is concerned that the active membership continues to decrease while the number of pensioners/survivors continues to increase.

2. THE LAY RETIREMENT PLAN (LRP)

The Lay Retirement Plan is a money purchase plan and is available to all lay employees of the Church and related organizations who are not members of the GSPP.

Previously, members in this Plan did not have the option to select the investments of the funds being held on their behalf. The legislation requires the plan administrators to provide the LRP members with a diversified range of investment options with different risk and return characteristics and to ensure that plan members are provided with the initial and continuous disclosure and appropriate education tools to assist with investment decisions. As it would not be possible to provide these services in-house, the record-keeping of LRP/Group RRSP was outsourced to Canada Life/GRS on August 1, 2003. The name has been changed from Canada Life to Great West Life, after a merger of these 2 companies.

Investment Management of the Fund

As at Jan. 1, 2012, assets in the Lay Retirement Plan ("LRP"), Group RRSP and Tax-free Savings Account ("TFSA") combined equaled \$36,606,796, and by December 31, 2012 increased to \$38,775,921.

Stats

As of Dec. 31, 2012 there were 1038 members with assets in the LRP. Approximately 60% of these members were in the 46-71 age range, and they accounted for approximately 79% of the total LRP assets. The average LRP participant is age 48 with \$33,597 in assets. The years of participation for members in the LRP range from one month to 36 years. Almost 59% of LRP members have been in the plan for 10 years or less. Members with 20 years or more of plan membership each have average LRP assets of \$112,665. 114 individuals enrolled in the LRP in 2012. Most of these members are in the 26-35 age group. 75 members withdrew some or all of their investments from the LRP during this same period. Each of these 75 members had either retired or terminated employment.

3. THE LONG TERM DISABILITY PLAN (LTD) (Members, who are disabled Jan. 1, 2005 or later)

The experience of the plan in the previous years has been more favourable than expected resulting in an increase in the premium stabilization reserve level of the plan. The margin for expenses set in this plan is large as the Pension Office is expending much effort for disability management. This is advisable as it reduces the claims that will ultimately proceed to Standard Life. Also, it is generally considered that early disability management has much better results than if such efforts are provided at a later stage in the disability. The Pension Committee concurred with the Actuary's recommendation that the premium stabilization reserve should remain in the plan to provide a cushion against future contingencies.

Financial Status

The Long Term Disability Fund was transferred to Letko Brosseau on January 31, 2007. Letko Brosseau's investment review report showed that the one year returns as of December 31, 2012 are 14.5% against a benchmark of 8.6% and the market value of the fund is \$2,447,134.

The results for December 2012 were very good when compared with that of December 31, 2011 where the return was - 3.9% against a benchmark of 0.0% and the market value of the fund was \$1,955,711.

Stats

The LTD claims under this plan for the period July 1, 2012 to December 31, 2012, includes 12 claims in the self-insured portion of the plan. During this period, seven claims were transitioned to Standard Life for a total of 37 claims with Standard Life. The monthly payout from the self-insured portion of the LTD Plan as of December 31, 2012 was \$29,854 compared \$38,380 in June 30, 2012.

4. THE LONG TERM DISABILITY PLAN PRE-2005 (LTD Plan Pre-2005)

There was a deficiency in the LTD Plan Pre-2005 which was being funded by ongoing member contributions of 0.4% of earnings. The Actuary recommended that once the deficiency and the need for the 0.4% of earnings contribution is eliminated, it would be worth investigating whether or not the benefits for the remaining claimants could be fully insured in order to avoid the possibility of requiring additional contributions at some future point in time should the plan's finances become unfavourable again.

The Pension Committee approved, in principle, the purchase of an insured contract to pay the monthly benefits to the LTD Plan Pre-2005 beneficiaries.

Upon Eckler's recommendation, the CAG recommended to the Trustees to direct Letko Brosseau to immunize the LTD Plan Pre-2005 to be consistent with the liability of the Plan.

Eckler was asked to resolve with the insurance companies the issue of premium/sales tax and adjudicating the claims after the liability is sold. It was agreed to get quotes from several insurance companies. Standard Life provided the best quote, and as we already have a relationship with them, it will be easier for the Pension Office to work with them going forward. The Director and the Chair of CAG were empowered to proceed with the implementation of the purchase of an insurance contract at their

discretion provided that the assets are sufficient to pay the premiums and subject to their satisfaction of the adjudication provision. The assets of LTD Pre-2005 were transferred to Standard Life in November 2012.

Subsequent to the transfer of assets of the LTD Plan Pre-2005 to Standard Life, on a recommendation made by the Pension Committee it was approved by CoGS that the 0.4% contribution to the LTD Plan Pre-2005 be continued only until December 31, 2012 and effective January 1, 2013, the employees' contribution to the GSPP be increased by 0.4%.

5. THE PENSION 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, 2012, the market value of the Endowment Funds totaled \$4,323,869. As of December 31, 2012, the returns were 13.9%. As of March 1, 2007, the assets of the Endowment Funds are invested with Letko Brosseau Pooled Funds.

The distribution of the income of these funds in 2012 was \$ 96,725. The endowment fund payments, previously made every July, have been combined with the 13th cheque payments in December, to simplify the administration and reduce costs. Many cards and letters are received from the pensioners expressing their appreciation for the thoughtfulness of the donors and to the Pension Committee for their stewardship in managing these 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 which are given to the Endowment Funds.

6. THE GROUP EMPLOYEE BENEFITS PROGRAM

The following insured benefits are provided under the Group Policy which is underwritten by Manulife Financial:

	<u>No. of participating Dioceses/organizations</u>
Life Insurance	36
Optional Life Insurance (for member & spouse)	36
Accidental Death & Dismemberment	30
Short Term Disability	10
Extended Health Care	26
Dental Care	28
Vision Care	22

There are currently 22 dioceses providing Health Care coverage for their retirees, 30 dioceses are providing dental coverage for their retirees and 16 are providing vision care coverage.

Members of the Lay Retirement Plan are also eligible to participate in the Group Employee Benefits Program. As of December 31, 2012, 321 members have Life insurance coverage, 243 have Health Care coverage and 339 participate in the LTD Plan. The annual premiums for the Employee Benefits Program under Manulife Financial at December 31, 2012 are approximately \$7,000,000.

7. THE SELF-INSURED DEATH BENEFIT PLAN (SIDB)

The Self-Insured Death Benefit Plan provides \$10,000.00 on the death of an active member, \$4,000.00 on the death of a retired member and \$1,500 on the death of a spouse of a retired member providing the member had participated in the Plan for at least five years at retirement. These benefits are non-taxable. 35 dioceses/organizations participate in this Plan.

Investment Management

The market value of the SIDB Plan as of December 31, 2012 was \$2,262,019. As of December 31, 2012, the one year returns were 13.8%. The funds are invested in the Letko Brosseau Pooled Fund.

8. THE CONTINUING EDUCATION PLAN (CEP)

The Pension Office is responsible for the day-to-day administration of the Plan. Policy decisions, educational support to members, and the authorization of sabbatical and special grants are the responsibility of the Continuing Education Administrative Unit. The Unit includes the Administrator of the Plan and five members appointed by the Pension Committee and meets twice a year. The Administrative Unit reports to the Pension Committee twice a year.

Changes to the CEP Trust Agreement and the Deed Amendment No. 5

A request was directed to the Charities Directorate to determine if the Trust might be a charity. The Charities Directorate was satisfied that the activities of the Trust, as they are set out in the Canon XII and the Regulations and in the Trust document might well be charitable activities at common law, but only to the extent that the training and education is limited to clergy and lay workers employed by the members.

The Directorate noted that the CEP Trust Agreement refers to the funding for education and training for “former” employees which will actually confer a private benefit on them and thus prevent the Trust from qualifying as a charity.

With respect to the issue of “providing training to former employees” raised by the Charities Directorate, Judy pointed out that under the terms of the CEP, when an employee ceases paid employment, the employee is no longer eligible to make claims under the Plan, unless they continue to work in some capacity for a participating diocese/employer. The legal counsel suggested that we remove the words “former employment”.

Based on the CEP Administrative Unit’s recommendation, the legal counsel amended the documents by replacing the words “or former employment” with “and/or voluntary, unpaid services”. The three parties named in the CEP Trust Agreement and Deed No. 5 to the CEP Trust Agreement are: the General Synod, the Board of Trustees and the Pension Committee. The Council of General Synod has approved both the Trust Agreement and the Deed.

Tax status of the Plan

Since 2001, Cassels Brock, the Legal Counsel of General Synod, has been dealing with CRA (Canada Revenue Agency) on our behalf to get clarification of the tax status of the CEP. Lorne Saltman, General Synod lawyer, who has been working on our behalf, received a letter from the Charities Directorate advising that the CEP of the Anglican Church of Canada meets the requirements for charitable registration under the Income Tax Act. The Director General of Charities Directorate congratulated the CEP on becoming a Canadian registered charity effective January 1, 2012. Judy was authorized to hire an auditor to conduct a formal audit of the CEP for 2012. Subsequent to obtaining a charitable status, Letko Brosseau was advised to transfer the assets of the Continuing Education Plan into non-taxable funds to benefit from the tax savings.

Utilization

	2012		2010	
	Number	Amount (\$)	Number	Amount (\$)
Computers	291	206,262	278	196,253.53
Books	145	27,537	170	30,318.39
Educational Trips	20	28,340	7	12,088.33
Courses/Seminars	462	221,427	537	251,055.61
Total	918	483,565	992	489,715.86
Sabbatical Grants	17	48,536.52	16	47,748.40

CEP Website

The three main sections of CEP Online are ***Institutions***, ***Courses*** and ***E-Community*** as well as two additional sections, ***News*** and one specifically related to the Continuing Education Plan called ***About CEP***.

➤ **Institutions**

This section is the foundation of the website and with the constant updating, the number remains virtually unchanged. Institutions are located in Canada (Eastern, Central, Western and Northern) and Outside Canada.

➤ **Courses**

The ***Courses*** section lists all continuing education opportunities which range from courses, seminars and conferences to distance learning.

The listing of educational opportunities is always current as the website has an automatic delete built into its design. As soon as a course has finished, it is deleted and new listings are added on a regular basis. The number of courses listed varies from report to report depending on the educational opportunities being offered by institutions and as of March 02, 2013 there were 415 courses listed.

➤ **E-Community**

There are six sections in *E-Community: Discussion, Features, Computers, Reviews, Links and Testimonials*. The Review section is divided into two sections: *General* and *Books*. Testimonials received from those receiving funds from the Continuing Education Plan are now published in *E-Community*.

Review of Various Grants

In the past, due to favourable investment income, the CEP had built a pool of money which enabled us to provide various grants. The Unit is concerned that investment income has been low for the past few years. It is definitely a revenue problem as the budget allocation for any of the grants is not big enough. Since the grants are available subject to favourable annual investment returns, it was agreed that the grants should be reviewed annually. The Unit considered the following two grants:

- a. **Bonus for Use:** 2011 allocation: \$30,955.
- b. **Salary source account:** 2011 allocation: \$50,575. Employers are using this grant to conduct group activities like clergy conference, pre-retirement seminars, etc. The Unit felt that there are other ways to fund clergy conferences and some dioceses have the ability to fund these events.

On the recommendation of the Administrative Unit of the CEP, the Pension Committee approved that the Bonus for Use and the Salary Source grants be suspended for one year effective January 1, 2013.

Investment Management

The market value of the Continuing Education Fund as of December 31, 2012 was \$3,688,053. As of December 31, 2012, the returns of the Fund were 13.8%. As of March 1, 2007, the assets of the CEP are invested in Letko Brosseau Pooled Funds.

9. 2012 AUDITED FINANCIAL STATEMENTS

The firm of BDO Dunwoody LLP was appointed in 2005 to conduct audit of pension and other non-pension plans. BDO's specialty is multi-employer pension plan audits and our size fits their target market. The 2012 audited Financial Statements for the General Synod Pension Plan, the Lay Retirement Plan, the Long Term Disability Plan Pre-2005, the Long Term Disability Plan and the Continuing Education Plan will be available in the Pension Office at the General Synod.

10. OTHER

Seminars

During the triennium, the Director visited 11 dioceses to participate in pre-retirement seminars. There is no cost to a diocese/organization for the Director's attendance at these seminars, workshops and meetings.

Acknowledgments

During the triennium the Pension Committee welcomed Michael Thompson, the newly appointed General Secretary and Hanna Goschy who was appointed as the new treasurer and chief financial officer of the Anglican Church of Canada's General Synod.

Bishop Philip Poole thanked all the members of the Pension Committee for their contribution to the work of the Committee as they complete their 3-year term on the Committee in June 2013. Bishop Poole also expressed appreciation to the members of the Board of Trustees, the Asset Mix Sub-Committee, the Central Advisory Group, Administrative Unit of the Continuing Education Plan, Audit Committee, Judy Robinson and the Pension Office staff for their expertise, enormous work that they do and for their continuous support.

The Trustees, the Pension Committee, the Central Advisory Group and the CEP Administrative Unit thanked Jer Homavazir for her support to the work of the various committees for 37+ years and wished her a very healthy and happy retirement.

Those members, who would not be returning to the Committee following the General Synod, expressed their appreciation for having had the opportunity to serve on the Pension Committee and for the care and compassion with which the Pension Committee and the Pension Office staff carry out their responsibilities.

If you have any questions about any aspect of the Pension or Employee Benefit programs, we will again have a Pension Office at the General Synod where staff will be available to provide information on pension policies and answer questions.

For Action

Be it resolved that this General Synod approve Deed of Amendment No. 5 and the Trust Agreement of the Continuing Education Plan (CEP) as approved by the COGS Resolution No: A180

Be it resolved that this General Synod approve the amendments to the Long Term Disability Plan as approved by the Council of General Synod. Resolution No: A181

Be it resolved that this General Synod approve the amendments to the Regulations of Canon VIII as approved by the Council of General Synod and also approve the restated Regulations of Canon VIII as approved by the Council of General Synod in November 2012. Resolution No: A182

Be it resolved that this General Synod approve the amendments to the Regulations of Canon IX as approved by the Council of General Synod. Resolution No: A183

Be it resolved that this General Synod approve the purchase of insured contract and approve amendments to the Long Term Disability Plan Pre-2005 to implement these changes as approved by the Council of General Synod. Resolution No: A184

Respectively Submitted by,

The Rt. Rev. Philip Poole
Chair, Pension Committee

Ms. Judy Robinson
Director of Pensions