

## REPORT OF THE PENSION COMMITTEE TO GENERAL SYNOD 2019

### 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 Pension Endowment Funds (Canon VIII)*
5. *The Group Employee Benefits Program*
6. *The Self Insured Death Benefit Plan*
7. *The Continuing Education Plan (Canon XII)*

The following is a summary of the work of the Pension Committee during the period June 2016 to March 2019.

### 1. THE GENERAL SYNOD PENSION PLAN (GSPP)

The General Synod Pension Plan (GSPP) is a target 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 65% pensioners and deferred pensioners and 35% actively contributing members. The current average age is 52.5 years.

#### Actuarial Valuations

Cameron Hunter, the actuary has completed and filed the 2017 valuation.

#### Valuation Results: Going Concern (\$000s)

	Dec 31, 2017	Dec 31, 2016
Actuarial value of assets	\$818,420	\$757,138
Total liabilities	\$662,235	\$658,380
Going concern excess / (deficiencies)	\$156,185	\$98,758
Funded ratio	123.6%	115.0%

#### Valuation Results: Wind-Up (\$000s)

	Dec 31, 2017	Dec 31, 2016
Wind-Up assets	\$888,975	\$822,202
Wind-Up liabilities	\$929,305	\$924,569
Wind-up excess / (deficiencies)	(\$40,330)	(\$102,367)
Transfer ratio	95.8%	89.0%

### Valuation Results: Solvency (\$000s)

	Dec 31, 2017	Dec 31, 2016
Solvency assets	\$817,420	\$756,138
Total solvency liabilities	\$938,454	\$944, 753
Total solvency excess / (deficiencies)	(\$121,034)	(\$188,615)
Solvency Ratio	87.2%	80.1%

### **Solvency Funding Status – Update**

- In 2012, GSPP received temporary funding relief for 3 years
  - Had to obtain member consent
  - Had to assess sustainability of GSPP and implement changes to improve sustainability
  - Had to communicate progress to membership
  - Could not implement any benefit improvements
- In 2016, the temporary relief was renewed for an additional 2 years
- The goal is permanent solvency funding relief
- During 2017, we met with senior pension bureaucrats several times to push them for a permanent solution to our solvency funding obligations. On December 14, 2017 we were called to a meeting where we were told that the government could now see its way to a permanent solution but needed more time to create a framework for this. As a stop gap, in the meantime, they were prepared to consider a 3rd Regulation for temporary exemption. They insisted on another vote to obtain plan member consent. As a result, a letter of explanation was mailed to every plan member asking them to vote YES, in favor of another temporary exemption. In this vote, we also asked the members to support permanent solvency relief in the hope that we won't have to go through this process again. Members were given the option to vote online or on paper by filling out and mailing the voter card enclosed in the communication package.
- In 2018, a Regulation was passed into law which grants the General Synod Pension Plan temporary relief from funding any solvency deficiencies until after the results of an actuarial valuation to be conducted as at December 31, 2020.
- In June 2018, the Conservative Government came to power in Ontario.
- In December 2018 Bishop Poole, Judy Robinson and Cameron Hunter met with the Minister of Finance's , Senior Policy Advisor, who was briefed on:
  - Why solvency funding should not apply to GSPP
  - Why the playing field isn't level (single employer plans can merge into public sector Jointly Sponsored Pension Plans, but not MEPPs)

- Other unions and plans are also in discussions about applicable rules
- Judy subsequently had calls with the Minister’s Senior Policy Advisor who said they were working actively on a solution - Still awaiting follow-up

### **GSPP Expansion**

As mentioned in the previous Pension Committee’s report to the Council of General Synod, the Trustees have established an Expansion Committee. Attached to this report as Appendix 1 is a newsletter that provides information on a potential expansion of the GSPP to allow participation by the Lay Retirement Plan (LRP) members as well as new participating employers. This newsletter provides more information on the proposed changes and rationale behind them, as well as the advantages of expanding the GSPP

- Expansion Committee - Focus so far:
  - Amendments to Canons
  - Communication strategy
  - Plan design / sustainability modeling
- Expansion Committee - Ongoing considerations:
  - Amendments to Regulations
    - Plan design
    - Ancillary benefits
  - LRP wind-up and past service transfers
  - Potential new group screening
  - Group terminations
  - Administration system updates

### **General Synod Pension Plan – Investment Performance**

The market value of the assets of the GSPP at December 31, 2018, was \$843.67 million

#### **GSPP – Investment Returns – December 31, 2018**

	<b>2018-Q4</b>	<b>1 year</b>	<b>4 years</b>	<b>10 years</b>
Total Portfolio With Currency Overlay	-5.3%	-1.3%	7.0%	10.1%
Benchmark (hedged)	-4.3%	-1.4%	5.8%	8.7%
Excess Return	-1.0%	0.2%	1.2%	1.3%
Quartile in the Mercer’s Universe of balanced fund portfolios	Q3	Q1	Q1	Q1

### **Environmental Social Governance (ESG)**

The Trustees believe in responsible investment, an approach to investing that aims to incorporate ESG factors into investment decisions to better manage risk and generate sustainable long-term

returns for the Fund and Plan beneficiaries. As part of its ongoing monitoring of investment managers, the Trustees seek further information on the investment manager's ESG policies as well as details regarding related ESG activities, including research and engagement with companies.

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

As part of Mercer's continuing efforts to improve the quality and usefulness of the information gathered on GSPP's investment managers, they have developed a structured questionnaire. While the questions asked may evolve over time, the intent is to better understand progress by individual investment managers year-over-year and seek out more tangible examples of ESG integration in the GSPP portfolio. Doing so will enable more meaningful and targeted engagement with individual investment managers on areas for improvement.

Effective January 1, 2016, plan administrators must file the pension plan's Statement of Investment Policies and Procedures (SIPP) with the Financial Services Commission of Ontario (FSCO). The GSPP and LRP SIPPs are updated by Mercer, our Investment Consultant on an annual basis. These have been filed with FSCO.

The Trustees continue to follow ongoing developments and decisions in both the Corporate and Church worlds with regard to ESG. In addition, when the Trustees meet with the Plan's investment managers, they discuss the investment manager's processes for evaluating and integrating ESG factors in investment decisions.

#### **Pension Fund Advisors and Mandates – January 2019**

- **Letko Brosseau:** Canadian/Global Equity Mandate
- **Philips Hager & North:** Enhanced Long Bonds
- **Macquarie:** Infrastructure Investment
- **Bentall Kennedy:** Open-end Real Estate Mandate
- **Baillie Gifford:** Baillie Gifford Global Alpha & Positive Change Funds
- **CGOV:** Canadian & Global Equity Mandate
- **Canso Investment:** Corporate Credit Mandate
- **Neuberger Berman:** Private Debt Mandates
- **CIBC Asset Management :** Currency Hedging
- **Asset Consultant:** Mercer Canada
- **Custodian:** CIBC Mellon
- **Actuary:** Eckler Ltd.
- **Legal Counsel:** Koskie Minsky LLP
- **Auditor:** BDO Canada LLP

## **Membership in the GSPP**

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

<b>Non-Retired Members</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
❖ <i>Active</i>	1,648	1,612	1,576
❖ <i>Inactive</i>	583	576	558
Total	2,231	2,188	2,134
<b>Pensioners</b>			
❖ <i>Members</i>	2,213	2,242	2,277
❖ <i>Surviving Spouses</i>	637	629	638
Total	2,850	2,871	2,887

The Pension Committee noted 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 lay employees of Parishes and Church related organizations who are not members of the GSPP. 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.

The following table summarizes the investment options and the amount invested in each fund as at December 31, 2018:

	<b>AMOUNT INVESTED</b>	<b>ALLOCATION</b>
Great-West Life Continuum (Conservative)	2,583,859	5.2%
Great-West Life Continuum (Moderate)	17,260,219	34.9%
Great-West Life Continuum (Balanced)	22,664,182	45.8%
Great-West Life Continuum (Advanced)	2,486,071	5.0%
Great-West Life Continuum (Aggressive)	1,755,312	3.5%
Canadian Bonds - McLean Budden	1,111,160	2.2%
Money Market - McLean Budden	842,903	1.7%
GICs - Great West Life – Daily,1,3 & 5 year	746,466	1.5%
Total Plan Assets	\$49,450,172	100.0%

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

The Long Term Disability plan was revised and changes implemented on January 1, 2005. The program provides for self-insured benefits payable after 4 months of disability, for a maximum of 18 months, then if disability continues, benefits are insured and originally underwritten by Standard Life under policy 15065. With the Manulife acquisition of the Standard Life Company announced in 2014 and completed in 2015, the insurance component is now underwritten by Manulife.

Prior to January 1, 2005, a long term disability program (the “LTD Plan Pre 2005”) was in place for the employees of the Anglican Church in order to provide an income for those employees that became disabled. The employees that were disabled prior to January 1, 2005 continue to be paid their LTD benefits from an insured plan administered by Manulife Financial (after acquisition of Standard Life business in Canada)

#### **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, 2018 are -5.5% against a benchmark of -1.6% and the market value of the fund is \$ 2,448,412

#### **Stats**

As of December 31, 2018, there were 14 claims in the self-insured portion of the plan. Between July 1 and December 31, 2018, five claims were transitioned to Manulife. The monthly payout from the LTD Plan as of December 31, 2018 was \$29,786.07 compared to \$50,046.37 in June 2018.

#### **Claims management**

The Pension Office transitioned the LTD Plan claims management to Oncidium, effective January 1, 2017. Oncidium is an Occupational Health & Disability Management organization with extensive medical and rehabilitation expertise across Canada. Oncidium’s role is to adjudicate new claims and assist employees throughout their long term disability period by:

- Providing objective medical recommendations for each case;
- Ensuring that employees receive appropriate and timely medical and/or rehabilitation treatment, and that treatment is being optimized;
- Maintaining confidentiality of personal medical information; and
- Providing assistance / advice on return to work processes and accommodation for a safe and timely reintegration to work activities, if warranted.

#### **Plan Change - effective January 1, 2019**

The Council of General Synod approved the recommendation of the Pension Committee to amend Regulations A.5, C.3 and the Benefit Schedule of LTD Regulations effective January 1, 2019, to increase the benefit level to 66 2/3 % for the 1st 18 months, after the 119 day waiting period.

#### 4. 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, 2015, the market value of the Endowment Funds totaled \$ 5,827,992. As of December 31, 2018 the returns were -5.5% against a benchmark of -1.6%. As of March 1, 2007, the assets of the Endowment Funds are invested with Letko Brosseau Pooled Funds.

In December 2018, we distributed \$ 307,375 to 2799 pensioners and survivors. We continue to combine the endowment funds payments, previously made every July, with the 13th cheque payments in December, to simplify the administration and reduce costs. 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.

#### 5. THE GROUP EMPLOYEE BENEFITS PROGRAM

Benefits moved to a new platform at Manulife, in order to improve claims payment accuracy and implement positive enrolment of dependents

Going forward, the following changes must be reported to the Pension Office, and not to Manulife directly:

- address change
- add or remove a dependent
- change in secondary coverage through a spousal plan

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	37
Optional Life Insurance (for member & spouse)	37
Accidental Death & Dismemberment	31
Short Term Disability	10
Extended Health Care	27
Dental Care	29
Vision Care	23

There are currently 23 dioceses providing Health Care coverage for their retirees, 22 dioceses are providing dental coverage for their retirees and 18 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, 2015, 380 members have Life insurance coverage, 307 have Health Care coverage and 361 participate in the LTD Plan. The annual premiums for the Employee Benefits Program under Manulife Financial at December 31, 2018 are approximately \$8,000,000.

## 6. THE SELF INSURED DEATH BENEFIT PLAN (SIDB)

The Self Insured Death Benefit Plan provides \$10,000 on the death of an active member, \$4,000 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. Thirty - seven dioceses/organizations participate in this Plan.

### Investment Management

The market value of the SIDB Plan as of December 31, 2018 was \$ 3,869,675. As of December 31, 2018, the one year returns were -5.4% against a benchmark of -1.6%. The funds are invested in the Letko Brosseau Pooled Fund.

## 7. 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.

### Utilization

	2017		2018	
	Number	Amount (\$)	Number	Amount (\$)
Computers	142	197,590	167	167,791
Books	73	15,811	66	18,469
Educational Trips	15	33,043	21	36,235
Courses/Seminars	384	197,590	346	187,345
Total	614	444,034	600	409,840
Sabbatical Grants	19	52,628.41	19	56,335.55

### Plan Change

The Council of General Synod approved the recommendation of the Pension Committee to a 3 year plan to double the CEP contribution to \$900 per year as follows: • \$600 (effective January 1, 2019) • \$750 (effective January 1, 2020) • \$900 (effective January 1, 2021)

### 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 has been concerned that investment income can fluctuate. Since the grants are available subject to favourable annual investment returns, it was agreed that the grants should be reviewed annually. The Unit considers the following two grants every year.

- a. **Bonus for Use:** added to withdrawals from individual accounts.



- b. **Salary source account:** Employers are using this grant to conduct group activities like clergy conference, pre-retirement seminars, etc.

On the recommendation of the Administrative Unit of the CEP, the Pension Committee suspended the allocation to Salary Source Account in 2013 and reinstated it in 2014. The Bonus for Use was suspended in 2013 and reinstated at 5% in 2015. Both Salary Source and Bonus for Use will be continued for one year effective January 1, 2019 and will be revisited in September 2019.

### **Investment Management**

The market value of the Continuing Education Fund as of December 31, 2018 was \$ 5,665,982 . As of December 31, 2018 the one year returns were -5.4% against a benchmark of -1.6%. As of March 1, 2007, the assets of the CEP are invested in Letko Brosseau Pooled Funds.

### **8. 2017 AUDITED FINANCIAL STATEMENTS**

The firm of BDO Dunwoody LLP was appointed in 2005 to conduct the 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 2017 audited Financial Statements for the General Synod Pension Plan, the Lay Retirement Plan, the Long Term Disability Plan and the Continuing Education Plan are available on the Pension Office website.

### **9. OTHER**

#### **Seminars**

During the triennium, the Director made 16 diocesan visits 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**

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 2019. 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.

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 confirm the amendments to Regulation 1(a) of Canon XII - Continuing Education Plan adopted by the Council of General Synod in June 2018. Resolution No: A170.

Be it resolved that this General Synod confirm the amendments to the General Synod Pension and Benefits plans approved by the Council of General Synod as attached to this resolution. Resolution No: A171.

Be it resolved that this General Synod confirm the amendments to the Lay Retirement Plan approved by the Council of General Synod as attached to this resolution. Resolution No: A172.

Be it resolved that this General Synod confirm the amendments to the Long Term Disability Plan approved by the Council of General Synod as attached to this resolution. Resolution No: A173.

Respectively Submitted by,

The Rt. Rev. Philip Poole  
Chair, Pension Committee

Ms. Judy Robinson  
Director of Pensions



## UPDATE ON THE GENERAL SYNOD PENSION PLAN

Based on recent discussions and analysis, **the Pension Committee and the Board of Trustees are considering expanding the General Synod Pension Plan (GSPP) to broaden the current membership and allow groups outside the Anglican community to join.**

Making this change would require amendments to the pension canons, which will be proposed at General Synod in July 2019 – in particular:

- *Canon VIII*, General Synod Pension and Benefit Plans; and
- *Canon IX*, Lay Retirement Plan (LRP).

The goal is to enable the GSPP to open its doors to our LRP members and potential new employers, and build an even stronger plan for the future.

### Where the Plan Stands Today

It's important to understand that the GSPP is now in strong financial health. With the support of our plan actuary, Eckler Ltd., significant analysis has been conducted on the plan, which shows it will remain sustainable for the foreseeable future.

As of the last formal valuation on December 31, 2017, the GSPP is 123.6% funded on a going-concern basis. The plan's funding level has dramatically improved over the years due to prudent governance, evolution of the investment strategy, ongoing efforts to be recognized under appropriate funding rules and generally favourable investment markets.

Despite a challenging investment environment at the end of last year, an informal estimate shows the plan's going concern position improved by December 31, 2018. Also keep in mind that pension plans are designed to operate for a long time, so pension investing is, by nature, a long-term proposition.

Based on its unique structure, the GSPP has been temporarily exempted from funding for solvency, and we continue discussions with government authorities to make that relief permanent.

### Going concern

assumes the plan continues to operate for the foreseeable future, with ongoing contributions and benefit payments.

### Solvency

assumes the plan suddenly wound up on the valuation date and had to pay out all promised pension benefits to members.



## Why GSPP Expansion Makes Sense

Expanding the GSPP would build on the plan's current strengths and create an even more stable foundation for the future. Several other Canadian pension plans have already opened their doors to new entrants, benefitting from the advantages of larger scale and a more sustainable membership base.

Some important advantages of GSPP expansion include:

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

In a defined contribution (DC) plan like the LRP, plan members bear all risks – including investment losses and the possibility of outliving their savings – which can significantly impact their retirement timing and income. Moving LRP members into the GSPP will not only strengthen the plan's foundation, but it will also help further the Church's goal of providing stable pensions for all members.

## Next Steps

Our ability to expand the GSPP depends not only on amending the canons, but also on the plan being recognized by the pension regulators as a **target benefit multi-employer pension plan (TB MEPP)**. Given the nature of these plans (many employers, risk allocation and assumptions), TB MEPPs are expected to be subject to appropriate funding requirements.

While the timing of all this is uncertain, since General Synod is occurring this year, it is prudent to lay the groundwork so that the plan is well-positioned to move forward. The Pension Committee and the Board of Trustees are committed to being as transparent as possible by engaging key stakeholders throughout the process.

GSPP expansion will initially be discussed at General Synod, and there will be a phased communication strategy, including:

- Messaging to all General Synod delegates;
- Communication with all GSPP members (active members, inactive members and retirees) via their annual pension statements and LRP members via their quarterly reports; and
- Additional information (including FAQs) posted on the Pension Office website to help address anticipated questions.

You will be apprised of new developments as they occur. In the meantime, if you have any questions, please contact the **Pension Office at 416-960-2484 or 1-800-265-1070**.