

# 2016 ANNUAL REPORT

of the Pension Plan of The United Church of Canada

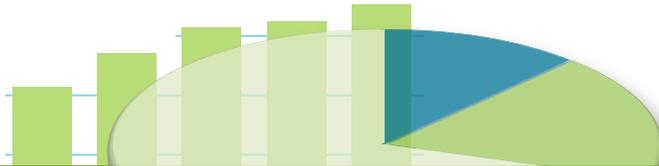


“ The Pension Board and its committees work hard to keep the pension promise to plan members now and into the future. ”



## Messages to the Membership

4



## Year in Review

11



## Financials

18



## Volunteers and Staff

23



## In Memoriam

24

**LEARN MORE**  
ABOUT YOUR **PENSION PLAN**



**SEARCH**  
“pension”



**united-church.ca**

# FAST FACTS

ABOUT  
YOUR

# PENSION PLAN

As at December 31, 2016



4,666 

Number of pensioners  
(+10 child pensioners)

1,196 

Deferred members

3,452 

Number of active members



1,874 ministry personnel

1,578 lay members



Active: currently employed by the United Church  
Pensioner: receiving pension

Child pensioner: dependent child who has lost a parent  
Deferred: has earned a pension but is not yet receiving it

## Total pension benefits paid per year

2016: \$64,710,000

2015: \$61,909,000

2014: \$61,509,000

Includes refunds and death benefits

304

Members  
joined in 2016

Members  
retired in 2016

232

77

Average age of  
pensioners

65.2  
54

Average age of plan members at retirement  
Average age of active members

332

Active members  
over age 65

141

including 3

Pensioners  
over age 90

over age 100!



# MESSAGES TO THE MEMBERSHIP

## From the Moderator and General Secretary

*Dear Friends in Christ,*

We are pleased to share with you the *2016 Annual Report of the Pension Plan of The United Church of Canada*. Thank you for the gifts and skills you bring to our church as we work together to live out the teachings of Jesus in the world.

Investing responsibly is a long-standing priority for the Pension Board, though that is far from being a simple task. In our roles as Moderator and General Secretary, we've heard the calls from within the church for the board to divest from certain companies. We have also heard the point of view that one of the most effective ways to improve any firm's human rights, environmental, or governance record is through shareholder engagement. We trust that Pension Board members give both positions careful consideration in all policy decisions.

Another consideration for the board is whether to grant pension increases. Our retired members, lay and clergy, have served faithfully and well throughout their ministries. Pension Board members recognize their contribution. The board must balance the ongoing need for increases with the longer-term sustainability of the plan for both existing and future members. We wish them God's guidance in finding the right balance.

We are grateful for the work and dedication of the Pension Board members—all volunteers—over the past year, ensuring that the pension plan remains stable and is able to meet its obligations to plan members now and into the future. We hope this careful stewardship gives you every confidence that your pension is being well and faithfully managed.

Thanks again for your past or ongoing efforts for God's mission in this church. And may the grace of Jesus Christ and the love of God be with you in the coming year as together we discern where God is calling us.

In faith,



The Right Rev. Jordan Cantwell  
Moderator



Nora Sanders  
General Secretary, General Council



“

Thanks again  
for your past or  
ongoing efforts for  
God's mission in  
this church.

”

## From the Chair of the Pension Board

*Dear Members,*

For the Pension Board, its standing committees, and staff at the General Council Office, 2016 was a busy year. As mentioned in last year's Annual Report, the plan actuary conducted a valuation of the plan at December 31, 2015, which indicated that the plan was 105% funded. Being fully funded is a key measure of a defined benefit pension plan's health.

### Investing Responsibly

The board and its committees continue to be committed to responsible investment. Here are some of the actions we took over the past year:

- We surveyed our existing investment managers to evaluate their level of environmental, social, and governance (ESG) integration. In this process, we found that approximately two-thirds of the plan's assets are managed by firms that are signatories to the United Nations Principles of Responsible Investment. Those who are not signatories still adhere to our sector exclusions in armaments, tobacco, gambling, and pornography, and most include ESG factors in their processes.
- We measured the carbon exposure of the plan's active equity strategies, and we are reviewing options to reduce our carbon exposure either through engaging existing investment managers or through pursuing lower carbon investments.
- We changed the plan's proxy voting provider from Glass Lewis to the Shareholder Association for Research & Education (SHARE) effective January 1, 2017. SHARE's voting policy is more in line with the United Church's on issues that are important to us. This also dovetails with the engagement work that SHARE undertakes for the pension plan.
- We filed or co-filed shareholder resolutions with several companies. As is common, to avoid the resolutions going to all shareholders, companies agree to certain actions. This year
  - Cenovus agreed to increase disclosure of its lobbying activities and political contributions
  - Goldcorp agreed to release an independent human rights assessment update showing primary environmental and social findings and recommendations, as well as details of the Guatemala mine closure and reclamation plans and added disclosure of political contributions and membership in and lobbying by associations



“  
The board and its  
committees continue  
to be committed  
to responsible  
investment.”



### What is proxy voting?

Shareholders are entitled to vote at annual general meetings of the companies they have investments with. Shareholders can choose to vote through a proxy—someone else—rather than attend the meetings themselves.

- The pension plan is currently engaged in discussions with Restaurant Brands International (Tim Hortons) and has filed a proposal on the company’s efforts to identify and mitigate child and forced labour in its coffee supply chain.
- Overall, the pension plan participated in over 20 engagement opportunities with SHARE on issues including climate change, work in the supply chain, and Indigenous reconciliation.

We are currently in the process of

- revising our responsible investment guidance to update the process of determining and implementing sector exclusions
- reviewing low carbon and ESG investment strategies available to the pension plan

### Governance Review

The Pension Board recommended to the Executive of the General Council that a governance review be undertaken by an independent third party in an effort to ensure the plan is being administered according to industry best practices and remains in compliance with changing pension legislation. The Executive agreed with the recommendation, and the review is being initiated.

### Financial Position

The actuarial valuation at December 31, 2015, revealed that the plan was slightly more than fully funded (105%) on a solvency basis. While we are gratified to see that the plan is in a positive position, the small surplus is not sufficient, based on the criteria set out in the Funding Policy, to grant benefit improvements. The Pension Board appreciates that this is not welcome news, but without sufficient funding to ensure an increase is sustainable long-term, it is not prudent to provide one.

The volunteer members of the Pension Board and its committees work hard, in faithful and responsible ways, to keep the pension promise to plan members now and into the future.

### Communication

The final edition of *Foresight* was published and sent to members in February 2017. *Connex*, the benefits newsletter, will now include a pension information section. The first combined pension and benefits issue of *Connex* was published in April. It announced the newest pension video along with a list of all the pension videos produced to date. The latest issue of *Connex* announced

### Why do we give SHARE our proxy vote?

The United Church of Canada is a small investor, relatively speaking. By joining our voice and vote with other small and medium investors through SHARE, together we have a bigger voice and can effect change. SHARE coordinates votes to improve the ESG measures of like-minded organizations, essentially forming a voting bloc.

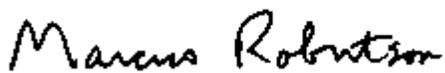
the availability of this Annual Report. Watch for articles outlining the plan’s responsible investing initiatives in future editions of *Connex*.

### Membership and Staff Changes

There was one change to the membership of the Pension Board in 2016. Jacqui Allard stepped down from her position in August due to her heavy workload and competing commitments. After a thorough search and selection process, the Executive of the General Council appointed Katharine Preston to the Pension Board. Katharine has several years of experience leading the responsible investing program at one of Canada’s largest pension funds and developed a responsible investing strategy and reporting program that has received global recognition. Malcolm Boyle, Doug Greaves, David Gilliland, and Kathleen Loewen were all reappointed.

Following Linda Begley’s retirement, the duties of the Pension and Benefits Manager were restructured, and existing staff members took on additional responsibilities. At the end of 2016, David Dawrant officially took on the role of Manager, Pension and Benefits Administration, and Shenagh Rosa officially took on the role of Manager, Pension Compliance and Communications, both reporting to Alan Hall, Executive Officer, Ministry and Employment.

On behalf of the Pension Board,



Marcus Robertson, Chair

“ Several members from the Pension Board, the Pension Plan Advisory Committee, and the Investment Committee appeared in the video entitled *We Work on Your Pension.* ”

For member bios, visit [commons.united-church.ca](https://commons.united-church.ca) (search “pension administration”).

## From the Chair of the Pension Plan Advisory Committee

*Dear Members,*

Since the last Annual Report was issued, PPAC has undertaken many important initiatives.

Although the operation of the Benefits Centre moved to McAteer Employee Benefit Plan Services in July 2016, PPAC continues to oversee the ongoing transition of administration services to McAteer.

PPAC commissioned an actuarial valuation at December 31, 2015, to monitor the financial health of the plan. This actuarial valuation revealed that the plan remains fully funded on a solvency basis, with a solvency funded level of 105%.

The Funding Policy developed over several years by PPAC contains guidelines concerning conditions that should be met before any benefit improvement can be considered. While the level of funding is better than most multi-employer defined benefit plans, the Funding Policy requires a higher threshold before benefit improvements can be made.

Following the valuation, PPAC recommended that the Pension Board consider an asset liability study to determine whether the current asset mix is still in line with the plan's risk tolerance. In January 2017, a working group was formed, including members from the Pension Board, PPAC, and the Investment Committee. The group's mandate is to make recommendations for the Pension Board by late 2017.

We continually monitor and review plan design, pension, industry, and legislative developments across Canada with the help of our legal advisers, Hicks Morley, and our plan actuary, Mercer.

We, the members of PPAC, are pleased to volunteer our time and expertise for the benefit of all members of The Pension Plan of The United Church of Canada.

On behalf all members of the committee, I recognize and thank General Council Office staff for their contribution.

On behalf of the Pension Plan Advisory Committee,



Anne Soh, Chair

For member bios, visit [commons.united-church.ca](http://commons.united-church.ca) (search "pension administration").



“

We continually monitor and review plan design, pension, industry, and legislative developments across Canada...

”

**Dec. 31,  
2015**

**Effective date  
of actuarial  
valuation**

**Plan  
actuary**

**Mercer**

**Hicks  
Morley**

**Legal  
advisers**

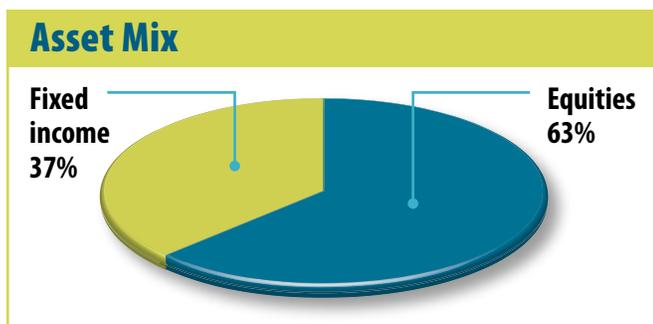
## From the Chair of the Investment Committee

*Dear Members,*

As the Chair of the Investment Committee, I am pleased to summarize our results. The return for 2016 was 8.2%, outperforming our benchmark goal of 7.6% and exceeding last year's return of 5.1%. The fund's assets grew by 4.1% over last year, closing the year at \$1.4 billion after contributions and withdrawals for pension benefits and expenses. On a four-year basis, the annual return was 9.7%, exceeding the benchmark of 8.8%.

The world economy seems to be in a relatively good place. Most of the world's major economies are growing positively, albeit slowly. Governments are discussing spending money to boost infrastructure; interest rates have risen, but not excessively. This is a much improved situation from the austerity measures that were implemented a few years ago. However, there is heightened geopolitical unrest with the discussion of protectionist trade barriers and immigration restrictions by more than one developed nation. This creates uncertainty and increases risk to any return assumption. Only time will tell how world events will affect asset markets.

Some new investments were made during 2016. The cash balance was reduced from 2% to 1% of assets, and the fund made a commitment to one new private equity fund representing 1% of assets. This investment will be funded over time as the private equity manager finds worthwhile opportunities. Our asset mix currently stands at 63% equities and 37% fixed income. Equity markets outperformed fixed income markets in 2016, so much so that the fund rebalanced during the year, moving 2% of its assets from equity to fixed income. The pension fund still differs from its target allocation of 60% equity and 40% fixed income; however, the Investment Committee monitors the deviation and takes action to ensure it does not become excessive.



The pension fund takes a careful path with its investments. Over 60% of benefit payments are funded from investment income, with the difference coming from contributions. With this in mind,



“  
On a four-year  
basis, the annual  
return was 9.7%,  
exceeding the  
benchmark  
of 8.8%. ”

**Assets** \$1.40  
billion

## MESSAGES TO THE MEMBERSHIP

the pension fund is reviewing its asset allocation between equities and fixed income, taking into consideration the level of risk The United Church of Canada is prepared to assume in the pension fund. This review will likely result in making some tough choices between securing existing benefits or investing in more risky assets to increase the potential for higher returns and possible benefit improvements.

With respect to environmental, social, and governance (ESG) issues, the pension plan is now a signatory to the UN Principles of Responsible Investment. The pension plan filed its first report disclosing its responsible investing activities in 2016. I am pleased with our increased activities on shareholder engagement and proxy voting. We had engagement successes with Cenovus agreeing to increase their disclosure on lobbying activities, and with Goldcorp agreeing to disclose their human rights assessment report. We also changed our proxy voting provider to SHARE, as their voting policies are more aligned to the social policies of The United Church of Canada.

It was a quiet year for the committee with no changes to its membership. The committee is well-rounded, with representation from all asset classes of investment. It is a pleasure to work with a committee that is so engaged and functions so well together.

On behalf of the membership of The Pension Plan of The United Church of Canada, I extend my gratitude to the members of the Investment Committee for their dedication and counsel.

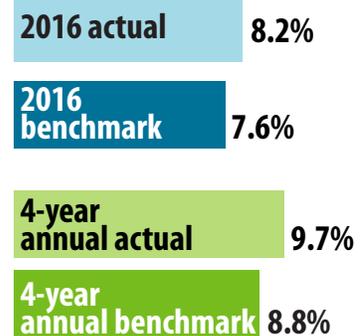
Sincerely,



Deborah Leckman

“ I am pleased with our increased activities on shareholder engagement and proxy voting. ”

### Return on Investment



For member bios, visit [commons.united-church.ca](https://commons.united-church.ca) (search “pension administration”).

# YEAR IN REVIEW

## Membership and Appointments

Any Pension Board and related committee membership changes since the last Annual Report are noted in the messages to the membership from the three chairs. Please refer to the complete list of all volunteer members who work on the Pension Board, Pension Plan Advisory Committee, or Investment Committee, along with a brief biography of each member detailing their expertise with pensions, finance, human resources, or other skills and perspectives they bring to the group at [commons.united-church.ca](https://commons.united-church.ca) (search “pension administration,” then see the Biographies file).

## Third-Party Services

### The Benefits Centre

At July 1, 2016, McAteer Group took over as the service provider managing the daily transactions for the pension and benefits plans. The Benefits Centre can be reached by telephone at 1-855-647-8222, 905-480-8222, or by e-mail at [questions@uccan-benefitscentre.ca](mailto:questions@uccan-benefitscentre.ca).

### Specialist Services

Other services used by the Pension Board to fulfill their fiduciary duty to plan members through due diligence are

- Shareholder Association for Research and Education (SHARE, [www.share.ca](http://www.share.ca)): SHARE is a Canadian leader in responsible investment services, research, and education. SHARE provides proxy voting and engagement services to the Pension Board. Working with SHARE allows the board to leverage the fund’s assets with those of other clients to bring more assets under management to the table in discussions with companies. When possible, engagement is done ecumenically or in partnership with other investors who share the same concerns or values. The pension plan changed its proxy-voting provider from Glass Lewis to SHARE effective January 1, 2017, to take advantage of their values, which are more closely aligned with those of the church. This also dovetails with the engagement work that SHARE undertakes for other national church funds.
- Sustainalytics ([www.sustainalytics.com](http://www.sustainalytics.com)): Sustainalytics supports the Pension Board and committees in incorporating environmental, social, and governance (ESG) principles into the investment processes by screening investment opportunities for any restricted categories, such as pornography, weapons, tobacco, and gambling, and by rating company performance on ESG measures.

Read the full *Statement of Beliefs and Guiding Principles* online at [commons.united-church.ca](https://commons.united-church.ca) (search “pension administration”).

For a copy of the Plan Text, visit [commons.united-church.ca](https://commons.united-church.ca) (search “pension administration”).

## The Pension Fund

### **Funding Policy**

The Funding Policy was drafted for consistency with the Statement of Beliefs and Guiding Principles of the Pension Plan and provides guidelines for members of the Pension Board and its delegates in making decisions regarding asset mix, pension increases (or decreases) and contribution levels.

The Funding Policy is available to view on the [commons.united-church.ca](https://commons.united-church.ca) (search “pension administration”).

### **Asset Liability Study**

The Pension Board mandated a working group to review the plan’s asset allocation between equities and fixed income, taking into consideration the level of risk the pension fund can tolerate. This review involves a balancing act between reducing the level of risk to secure existing benefits and maintaining investments in more risky assets in pursuit of higher returns.

### **Statement of Investment Policies and Procedures**

The Statement of Investment Policies and Procedures (SIPP) is a required document for all pension plans registered in Ontario. It is reviewed annually, and any revisions are filed with the regulator.

Members are invited to contact the Pension Board, via the Ministry and Employment unit at General Council Office, [MinistryandEmployment@united-church.ca](mailto:MinistryandEmployment@united-church.ca), if they would like to view this document.

### **Statement of Beliefs and Guiding Principles**

The statement is available online for reference to all members and employers of the plan. It strives to clarify that the plan

- is designed to be a part of the member’s retirement income, along with personal savings and government benefits
- invests responsibly, honouring the fiduciary duty to plan members to make the best decisions possible in their interests
- prioritizes sustainability of the fund, to provide benefits for pensioners now and into the future, especially considering the mature (more pensioners than contributing members) nature of the plan

“The design of the Plan should reflect that saving for retirement is a shared responsibility and is dependent on government, employer and individual saving initiatives (the three-legged stool).”  
*Statement of Beliefs and Guiding Principles*

### Actuarial Valuation

The last Annual Report advised that we were conducting a valuation at December 31, 2015. That valuation revealed that the plan was in a positive position, with a solvency funded ratio of 105%.

As part of our continued efforts to monitor the plan’s stability, the board is undertaking a valuation at December 31, 2016. The review will not be completed before publication of this Annual Report. If this valuation is also positive, the plan will have three years before another valuation is required. This will protect the plan and its members from possible adverse political or economic events during this time. This is very important, because if economic conditions were to deteriorate in the year that a valuation is due, and the valuation showed less than full funding, the Financial Services Commission of Ontario (FSCO) would require the administrator to take measures to improve the funded position, which could mean increased contributions or reduced benefits.

### Investing Responsibly

The Pension Board, its committees, and staff work to continually improve responsible investment (RI) and engagement activities. Effective January 1, 2017, the pension plan became a signatory to the United Nations Principles for Responsible Investment and filed its first report in April 2017. For more information on our RI activities, please see the message from the Chair of the Pension Board (page 5).

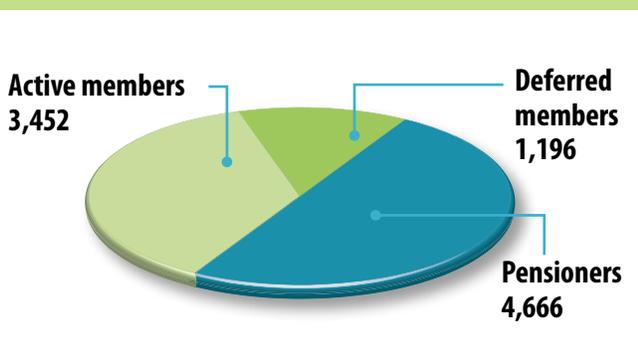
“Socially responsible investment procedures can be employed provided there is reasonable assurance that the best long term interest of the members is being served.”

*Statement of Beliefs and Guiding Principles*

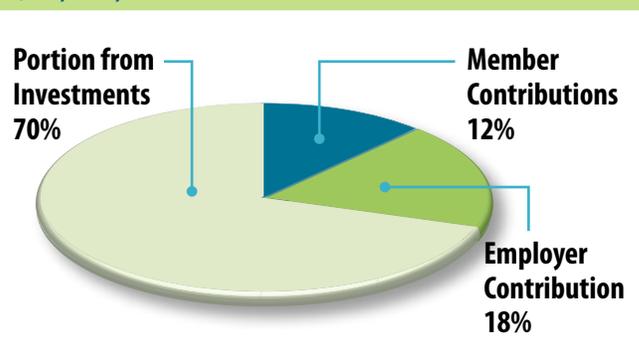
“Funding levels must ensure a high level of certainty regarding the security of benefits under the Plan.”

*Statement of Beliefs and Guiding Principles*

#### Plan Demographics



#### Total Annual Benefit Payments and Expenses: \$73,102,000



### Communications from the Pension Board

The goal of communications from the Pension Board and the Ministry and Employment unit is to keep you informed of the work we do to keep the pension plan running smoothly on your behalf. Despite many challenges common to all defined benefit pension plans, active employees and pensioners belong to a pension plan that is currently fully funded.

We've developed a few different ways to share pension information, described below.

#### Connex (new!)

Connex isn't new, you say! You're right, but now pension information is a section in *Connex*, the benefits newsletter. The last issue of *Foresight*, the pension newsletter for over 10 years, was mailed in February 2017.

*Connex* is the quarterly newsletter of the Permanent Committee on Ministry and Employment Policies and Services (PC-MEPS). Since the Ministry and Employment unit works to support the Permanent Committee as well as the Pension Board, *Connex* now contains information on

- pension
- benefits
- compensation
- ministry personnel vocational support

The latest issue of *Connex* announced the availability of this Annual Report. Watch for articles outlining the plan's responsible investing initiatives in future editions of *Connex*.

Currently, all employers get a copy of *Connex* sent to them through Canada Post. Members, both active and pensioner, have the option to receive e-mail only or a hardcopy through the post. A number of employers receive, or have volunteer leaders (treasurers, Ministry and Personnel Committee chairs, or administrators) who receive, the publication via e-mail link.

#### Going Digital by July 2018

July 2018 is the target date to move all communications to digital format, as much as possible. For members who wish to continue to receive a hardcopy through the mail, there will be ample notice and detailed instructions to ensure you receive information in the format you prefer.



### Videos

There are now three videos in the Pension Plan playlist! All are posted on The United Church of Canada's YouTube channel. To view these videos:

- Go to [www.youtube.com/unitedchurchofcanada](http://www.youtube.com/unitedchurchofcanada).
- Along the top of the United Church's page, look for "Playlists." On the Playlists page, select "Pension."
- Click on the video you want to view. To get subtitles, find the "settings" icon (a circular gear-shaped picture ) at the bottom of the video frame, and select English or French.

The newest video in the series features a few of the volunteer members of the Pension Board, the Pension Plan Advisory Committee and the Investment Committee of the Pension Plan. We'd like to acknowledge the time and patience of Anne Soh, Deborah Leckman, the Rev. Graham Brownmiller, Ian Thomson, and Paul Purcell. In the video *We Work on Your Pension*, these volunteers share why they've chosen to volunteer with the United Church's pension plan and highlight some of the issues facing the plan.

To view our videos, click or go to the link indicated:

- [We Work on Your Pension](#)
- [Your Retirement Income: The Three-Legged Stool](#)
- [Safeguarding The United Church Pension Fund](#)

### Online Seminars

Staff in the Ministry and Employment unit have updated the **Pre-retirement Seminar** to shift the focus from personnel who are getting ready to retire to a more inclusive **Pension Information Seminar** that is relevant to all employees. Learn about how the pension works early in your career with the United Church or an associated organization, and keep track of your pension through the pension statements received annually from the Benefits Centre. Being informed about your pension savings with the church throughout your career is important for retirement planning.

Offered in collaboration with United in Learning, these seminars are regularly attended by a range of employees and volunteer leaders (treasurers, M&P committee members) virtually through the AdobeConnect portal. The interactive format is great for getting answers to questions and learning

“  
The fiduciary  
standard is not  
perfection.  
Establishing due  
diligence is key.  
”

from other participants and the staff of the Ministry and Employment unit. The seminars are offered three times per year. To view the scheduled dates and register for upcoming seminars go to [www.United-in-Learning.com](http://www.United-in-Learning.com).

If you can't join us live, watch the recordings! Go to [www.United-in-Learning.com](http://www.United-in-Learning.com) and click "Recordings," then "2017 Programs," for

- [Pension Information Seminar](#)

The other information seminar offered by the Ministry and Employment unit is all about the benefit plans offered to those working 14 or more hours per week in active service. The recording is also available:

- [The Benefits Story](#)

### **The Annual Report**

The Annual Report of the Pension Plan is available as a PDF on The United Church of Canada website: [www.united-church.ca](http://www.united-church.ca). Search "pension" and scroll to the foot of the Pension page.

For all members who do not receive communication by e-mail, notice of the availability of the Annual Report is announced in the June issue of *Connex*. Should you wish to receive a hardcopy of the report, simply contact the Ministry and Employment unit:

- Contact [MinistryandEmployment@united-church.ca](mailto:MinistryandEmployment@united-church.ca).
- Leave a message at 1-800-268-3781, ext. 3031. Please include your name (spell your last name) and your mailing address with postal code.
- Indicate "Pension Report" in the subject line of your e-mail, or on your envelope, for ease of routing.



**We can send you  
any resource produced  
by Ministry and Employment  
in hardcopy.**

Simply contact us:  
[MinistryandEmployment@united-church.ca](mailto:MinistryandEmployment@united-church.ca)  
or leave a message at 1-800-268-3781, ext.  
3031.

Include your name (please spell your last  
name) and your mailing address with postal  
code.

## Governance

### *Fiduciary Responsibility and Due Diligence*

The Pension Board, Pension Plan Advisory Committee, and Investment Committee place fiduciary responsibility to members and due diligence to direct the pension plan in the best way possible for members as their highest goals.

Fiduciary responsibility includes

- duty of loyalty to beneficiaries of the plan (avoiding conflicts of interest, not putting personal interests ahead of the interests of plan beneficiaries, and not profiting personally from the fiduciary role)
- duty of care for the beneficiaries of the plan (using due diligence and skill to be well informed on all material information available in order to make the best decisions)
- duty of even-handedness
- duty to provide adequate disclosure
- duty to protect confidential information

The fiduciary standard is not perfection. Establishing due diligence is key and includes

- considering a range of options to make reasonable choices
- seeking expert advice where appropriate
- documenting/minuting the due diligence process
- keeping pension records as long as possible and practical
- reviewing the governance process and documentation periodically to ensure they meet current best practices

For an explanation of the reporting structures and areas of responsibility of the governing bodies of the pension plan, please view the governance chart and related information at [commons.united-church.ca](https://commons.united-church.ca) (search “pension administration”).

### Governance Review

The Pension Board recommended to the General Council Executive at their December 2016 meeting that a governance review of the plan be conducted. The objective of the review is to assess the effectiveness of the current governance structure, to identify and assess risks, and to determine whether changes would be advisable. The review is being initiated in 2017.

# FINANCIALS

## Financial Statements

### Statement of net assets available for benefits

as at December 31, (amounts in thousands)

	2016	2015
<b>Assets</b>		
Investments	\$1,388,038	\$1,337,792
Cash and cash in transit	10,266	10,047
Amounts receivable	3,823	959
Interest and dividends receivable	4,971	3,801
	<b>1,407,098</b>	<b>1,352,599</b>
<b>Liabilities and trust</b>		
Amounts payable and accrued liabilities	1,590	1,857
Trust funds	–	–
	<b>1,590</b>	<b>1,857</b>
<b>Net assets available for benefits</b>	<b>\$1,405,508</b>	<b>\$1,350,742</b>

### Statement of changes in net assets available for benefits

for the year ended December 31, (amounts in thousands)

	2016	2015
<b>Net assets available for benefits, beginning of year</b>	<b>\$1,350,742</b>	<b>\$1,330,137</b>
Increases		
Net gain on sale of investments	41,148	92,032
Change in unrealized net gains (losses) in the year	23,089	(73,035)
Change in fair value of investments	64,237	18,997
Investment income	41,745	48,967
Contributions (for current service)		
Employers	13,113	13,613
Members	8,773	9,099
	<b>127,868</b>	<b>90,676</b>
Decreases		
Pensions paid	59,590	58,416
Refunds (including \$1,151 for death benefits; 2014: \$521)	5,120	3,493
Administrative, project, and investment expenses	8,392	8,162
Income allocated to trust funds	–	–
	<b>73,102</b>	<b>70,071</b>
Change in net assets available for benefits	<b>54,766</b>	<b>20,605</b>
<b>Net assets available for benefits, end of year</b>	<b>\$1,405,508</b>	<b>\$1,350,742</b>

## Financial Analysis

### Fund Performance

The year 2016 was a good year for investments, but not for the world order.

Our fund rate of return on investment was a positive 8.2% in 2016, above the annual benchmark goal of 7.6%. The return in 2016 was better than the previous year’s but below the average of the last eight years.

It was good performance given the headwinds that started the year coming from lower Chinese growth. Canadian equities had a particularly good year, returning 20%. This was driven by a rebound in gold and energy stocks and, in the fourth quarter, by financial stocks as the market anticipated higher earnings on the back of expected deregulation from President Trump. The opposite impact occurred for fixed income, driving bond returns to a meagre 2.8% for the year. President Trump’s rhetoric led to the expectation of higher government deficits and interest rates, a negative for bond markets.

Going forward, the world is continuing its path of slow economic growth. However, what is different is that the world’s major economies appear to be on the same page, all showing positive growth. This bodes well for the prospect of positive modest returns in 2017. Of concern are changes afoot brought about by the populist movements in North America and Europe. There is no telling what economic damage could be brought about by the protectionist and xenophobic policies being discussed in the United States and Europe.

	2016 (\$000s)	2015 (\$000s)
Investment income	41,745	48,967
Realized net gains (losses)	41,148	92,032
Change in unrealized net gains (losses)	23,089	(73,035)
Net investment income	105,982	67,964
Net assets, end of year	1,405,508	1,350,742
Investment rate of return	8.2%	5.1%

Assets in the pension fund continue to be invested using a prudent investment philosophy, with the goal of providing stable benefits to members over the long term. During 2016, the cash position was minimized to increase the amount of return-seeking investment assets.

### Return on Investment

2016 actual 8.2%

2016 benchmark 7.6%

## FINANCIALS

The fund did have to liquidate some equity investments to fund cash requirements. In addition, the fund rebalanced once during the year by selling equities and buying bonds. The rebalancing was done because equities outgrew bonds during the year.

The fund has 6% of its assets in real estate, below its target 10% allocation. In 2016 the allocation to real estate did not change because new investments offset proceeds from sales. The fund continues to look for real estate opportunities but is patient, considering high real estate values and economic uncertainty in western Canada and in the retail sector.

The fund was active in private equity, committing to a new fund with an existing manager. Over time, we expect the fund to approach its target 5% allocation.

Investment Type	2016	2015	2014
Canadian Fixed Income	24%	23%	25%
Global Fixed Income	8	8	8
Canadian Equities	22	20	21
International Equities	16	16	18
U.S. Equities	18	19	14
Real Estate	6	6	6
Private Debt	3	4	4
Private Equity	2	2	1
Cash	1	2	3
	100%	100%	100%

The financial value of our assets grew more than expected in 2016, but only at an average pace compared to previous years. In 2016, investment return and contributions exceeded pension payments by \$55 million, increasing net assets 4% over 2015. Assets and liabilities both continued to experience new highs, but the spread between the two increased positively.

### Canadian Fixed Income—

Mostly government and corporate bonds

### Global Fixed Income—

Mostly government and corporate bonds issued in countries outside of Canada

### Equities—

Mostly large corporations' stock, with market capitalization over \$500 million

### Real Estate—

Pooled Canadian funds, diversified by geography and property type

### Private Debt—

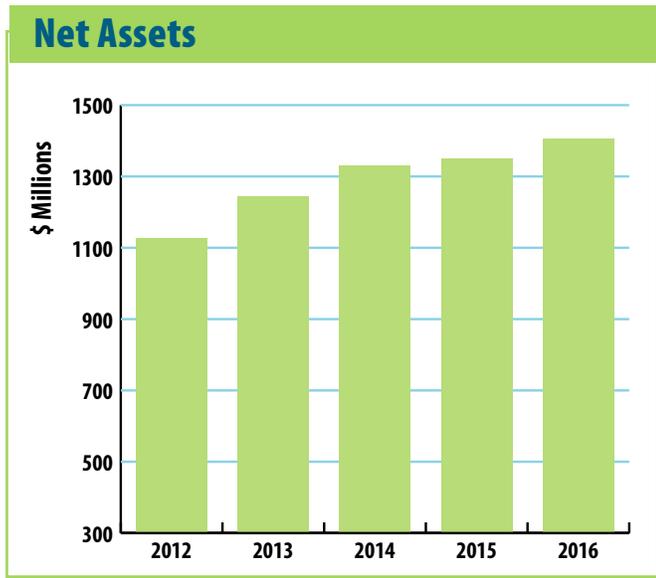
Mostly secured loans to corporations, similar to bank loans

### Private Equity—

Equity and debt invested with a diversified group or small to mid-sized companies

### Cash—

Includes guaranteed investment certificates, treasury bills, and cash on hand



**Actuarial Performance**

On a going concern basis, our funded position increased in 2016.

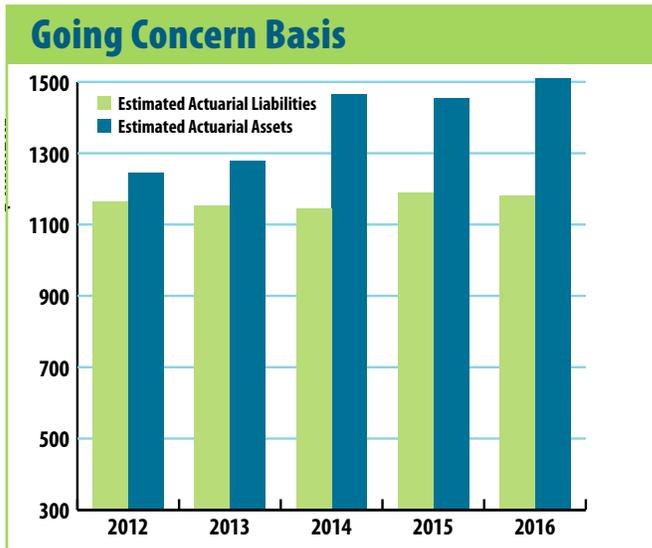
When valuing the plan, a going concern basis assumes the plan and the investments in the fund will continue as they are well into the future. The actuarial value of the plan assets includes the investments in the fund and the present value of future contributions. It also averages the investment income so that a large gain or loss in any one year does not unduly affect the result. The actuarial liability of the plan is the present value of future payments to pensioners, which means that a decrease in interest rates increases the calculated liability and weakens the funded position of the plan.

The Going Concern Basis chart that follows shows that the plan has been in a surplus position on a going concern basis, where assets are greater than actuarial liabilities, since 2012. This was the result of changes in contribution and benefit rates and positive investment returns. The plan maintained this surplus position at the end of 2016, whereby assets exceeded actuarial liabilities by \$330 million. The surplus grew in 2016 based on better than expected asset returns. However, decreasing asset return expectations, low interest rates, and longer lives of pensioners are headwinds to maintaining the surplus.

**Plan Audit**

In 2016, the Pension Board reappointed PricewaterhouseCoopers LLP, Chartered Accountants, as the auditor for the pension plan. They audited the special purpose financial statements as at, and for the year ended, December 31, 2016. The plan is also subject to regular, ongoing actuarial review.

On a wind-up basis, the plan remains evenly funded (assets equal to liabilities), but the situation will need to be closely monitored. The plan is a mature one, where the number of retirees exceeds active members. In addition, contributions cover only 34% of benefit payments; the remainder of benefit payments are covered from investments. Although the current position of the plan is positive, it can change quickly. For this reason, before we can commit to an increase in benefits, we need to see the plan in a much stronger financial position.



## VOLUNTEERS AND STAFF

Accurate to December 2016. For member biographies, visit [commons.united-church.ca](http://commons.united-church.ca) (search “pension administration”).

### Members of the Pension Board

Malcolm Boyle, QC, BA, MA, LLB  
Rev. Graham Brownmiller, BGS, MDiv  
Rev. Brian Copeland, BA, MDiv, STM  
David Gilliland, BMath, FSA, FCIA, CFA, MAAA, CERA  
Douglas Greaves, HBA, CFA, ICD.D  
Kit (Kathleen) Loewen, BSc, BEd, MEd  
Paul Purcell, BSc (Hons), FSA, FCIA, CFA  
Marcus Robertson (Chair), BSc (Hons), MSc, FSA, FCIA  
Jack Spencer, BA, MDiv  
Ian Thomson, BASc, MASc

### Members of the Pension Plan Advisory Committee

James Clarkson, CA  
Caroline L. Helbronner, BA, LLB  
Steve Houston, BA  
Steven McCormick, BA  
Dan Murphy, BSc, FSA, FCIA  
Cindy Palmer, BComm, CHRL  
Marcus Robertson, BSc (Hons), MSc, FSA, FCIA (Pension Board Rep.)  
David Short, FCIA, FSA  
Anne Soh (Chair), BSc (Hons), FSA, FCIA  
Jacques Tremblay, FCIA, FSA, MAAA

### Members of the Investment Committee

Douglas Greaves, HBA, CFA, ICD.D (Pension Board Rep.)  
Andrew (Andy) Greene, MA, CIM, CAIA  
Asif S. Haque, MA, CFA  
David Kaposi, CFA  
Claire Kyle, CFA  
Deborah Leckman (Chair), MBA, CFA  
Sean Macaulay, CFA  
William (Bill) Mackenzie, ICD.D  
James B. Walker, BComm, LLB  
Mary Anne Wiley, CFA  
Kathleen Wylie, CFA

### Staff Support

Alan Hall, Executive Officer, Ministry and Employment  
Erik Mathiesen, Executive Officer, Finance  
David Dawrant, Manager, Pension and Benefits Administration  
Shenagh Rosa, Manager, Pension Compliance and Communications  
Derek Hurst, Pension Fund Manager

# IN MEMORIAM

*For their faithfulness to the church of Jesus Christ we remember, give thanks, and extend our sympathy to their loved ones.*

## **Newfoundland and Labrador Conference**

Margaret Elms  
George Charles Gard  
Madeline G. Harvey  
Frederick Pike  
Elsie E. Pottle  
Melvin Realto Ralph  
Benjamin A. Snook



## **Maritime Conference**

Alastair Scott Anderson  
Russell Fraser Burns  
Edith W. Collins  
Nancy Keith Fraser  
Mary Hamilton  
Marilyn King  
Ellen Beverley Macleod  
Eugenie Macleod  
Everett Wayne Mitton  
Moir Grace Moore  
Russel Herbert Newhook  
Robert Wagner  
Norman John Whitney



## **Montreal and Ottawa Conference**

Han-Gook Bai  
Jeffrey Barlow  
Douglas James Carnegie  
Jean Eadie  
Laura Gaudine  
Barbara Harbinson  
Jean Jackson  
Maria Marszalek

Audrey L Morgan  
John Ralph Watson



## **Bay of Quinte Conference**

Harold James Alston  
J. Michael Goldwin Begbie  
Jean Bradford  
Marie Josee Carpentier  
William James "Jim" Cullen  
Alfons Dobershutz  
Bobby Wilson Fillier  
Roy Cyril Huntly  
Shirley Lemay  
Wesley George Mitchell  
David William Potter  
John Newton Reed  
Dorothy Schweder  
Peter D. Tink



## **Toronto Conference**

John Findlay Anderson  
Frederick Milton Bayliss  
Nicki Bulzan  
Pariyadampathu Chandy  
John Raymond Cousins  
Violet Crichton  
Margaret Elspeth Lynne Curtin  
William Jonathon Hines  
Anna Lena Hunter  
Ann M. Jones  
Betty Jean Klassen  
John Allan (Al) Logan  
Orlando Mason  
Dorothy Ann Millsap

John Ferguson Gray Morris  
Gerald Moreau  
Benjamin Toyo-Tsune Murata  
JungHee Park  
Catherine Pearson  
Donald Clifford Powell  
Robert Lossing Raymont  
Robert Leslie Rumball  
Etta M. Snow  
Margaret Sora  
Joanna Stocker  
Julia Vaitiekunas  
John Douglas Varey  
Victor Alfred Wood



## **Hamilton Conference**

Harold Andrews  
Margaret I. Campbell-Geddes  
Cecil Carnochan  
Jean Margaret Crabtree  
G. Barry Culbert  
Terry Wayne Dunseith  
Clare Alexander Geddes  
William Allison Haynes  
Margaret Hoult  
Catherine G. McCrea  
Margaret Deborah McCuaig  
H. Olive Morden  
Mary Morgan  
Harvey Keith Murphy  
Maxwell Jewitt Parr  
Donald A. Paterson  
Elizabeth Prinz  
Carol Prouse  
Marion Gertrude Kelly Schweitzer

Jay Roy Fallis Story  
Tom Svoboda  
George Hewitt Swick  
Robert Rudolph Wagner  
James Charles Weller



### London Conference

Bernard (Ben) Mari Bouwmeester  
Edward F. Boyce  
Jo-anne Brogan  
Janet Clark  
Baalchand David  
Mark William Stephen Ferrier  
Martha Kuipers  
Ruth Lang  
Donald Scott Mannell  
Stanley Carl McDonald  
Cecil V. Patey  
Margaret Ann Ross-Rowsell  
Douglas Robert Gemmill Story  
Palakalparampil John Varghese  
Donald Malcolm White



### Manitou Conference

Dilys Dyer  
Rollande Blanche MacLean



### Conference of Manitoba and Northwestern Ontario

Marlyne Crawford  
Freda Edmondson  
Georgina Frances Enid Loucks  
Joan Mcconnell  
James Douglas McMurtry

Charles Allan Milton  
Geziena Moerman



### Saskatchewan Conference

Doreen May Aldred  
John Trethewey Bray  
Norma Lindstrom  
M. Jean Pratt  
Jelle Vanderveen  
E. Ruth Vickers  
Alison Couser Dickson West



### Alberta and Northwest Conference

George Robbins Butler  
Douglas Bonar Carr  
Marjorie Clark  
Kevin Edwin Johnston  
Douglas Martyn Lauchlan  
Hank C. Liphuysen  
Maria C. Liphuysen  
William J. Mayberry  
Judith Ann McCulloch  
Margaret Rowena McLennan  
Ruth Caroline McPhee  
Clara M. Mercer  
Mina Gladys Pool  
Alastair Queen  
William G.M. Rae  
Delores Grace Reid  
Sheila Rogers  
Lillian Thackeray  
Joanne Towers



### British Columbia Conference

M. Ruth Archer  
Ainslie Ibbs Avery  
John Benjamin Bell  
Douglas B Carr  
Elizabeth Diwell  
F. Lee Evans  
John Colchester Gouws  
Douglas Bertram Graves  
Helen Gertrude Hobbs  
Kenneth Ian Macdonald  
John Piercey MacLean  
Eleanor McLeod  
Hester Miller  
Gwendoline Nikish  
John W. O'Neill  
Ann Elizabeth Pollock  
William Joseph Price  
Lyman Eveleigh Smith  
Audrey Marie Swanson-Henry  
Alida Thomson  
Stern Van Ness  
George Whitford  
Dorothy Wollard



### All Native Circle Conference

Alan Bruce Jacques  
Solly Kakegamic  
Peggy Monague



### Out of Country

Anne Dejong (United States of America)  
Joan Rabson (United Kingdom)  
Lawrence Squires (United Kingdom)  
John Van Gulick (United States of America)



This report is for you, members of the pension plan. Through it we seek to be accountable for the resources you have entrusted to our care. We endeavour to be faithful to this stewardship trust.

We want to thank you for your faithful service in the United Church and in the local ministries, organizations, and communities where you serve. Together we share a commitment to celebrate God's presence, to live with respect in Creation, to love and serve others, to seek justice and resist evil, and to proclaim Jesus.

In order to save paper and printing and mailing costs, the *Annual Report of the Pension Plan of The United Church of Canada 2016* is primarily distributed online.

Contact Ministry and Employment for questions and comments or to receive a printed copy:

1-800-268-3781, ext. 3031

[PensionBoard@united-church.ca](mailto:PensionBoard@united-church.ca)

Include your name and complete mailing address.

The United Church of Canada/L'Église Unie du Canada

Design: Diane Renault-Collicott, Graphics and Print

Cover photo: Christopher Dumas

La version française complète de ce rapport annuel serait disponible en ligne au [www.egliseunie.ca](http://www.egliseunie.ca).



The United Church of Canada / L'Église Unie du Canada  
Ministry and Employment  
Pension and Benefits  
3250 Bloor St. West, Suite 200  
Toronto, ON M8X 2Y4  
[www.united-church.ca](http://www.united-church.ca)

