

Annual Report 2016

PENSION PLAN FOR CLERGY
& LAY WORKERS OF THE EVANGELICAL
LUTHERAN CHURCH IN CANADA



Administered by:



President's and Executive Director's Message

PERFORMANCE

The ELCIC Pension Plan had another year of positive results, earning 6.4% before expenses, 5.6% on a net basis in 2016. This is very close to last year's 6.1% (net 5.3%). Slow and steady growth is a good formula for retirement savings, and we are pleased to have achieved this.

More details on the results breakdown for the Fixed Income Fund and the Growth Fund, the performance measures and investment manager comments can be found on pages 5 and 6.

INVESTMENT POLICY

The Statement of Investment Policies & Procedures (SIP&P) is reviewed at least annually and updated or amended as required at each review. This year the board focused on performance reviews where the investment results are compared to index. In other words, the board reviews the result of hiring managers to actively buy and sell stocks, bonds, mortgages etc. compared to investing passively in the index. The board expects active management to outperform passive investment and that at the very least the managers should earn back their fees. A detailed chart of the revised section and a description of the consequences is found on page 12. The complete SIP&P is posted on the GSI website.

RESPONSIBLE INVESTING

The ELCIC Pension Plan policies and administrative practices continue to add emphasis on responsible investing. The GSI website now has a page dedicated to this topic, where each investment manager has provided information about how they incorporate responsible investing into their decision making. Mercer rates each of the strategies with a very rigorous evaluation system, which the Board then notes and discusses with the managers and relays their ongoing expectations.

WELLNESS

Financial wellness is an important part of the overall wellness of a person, family or congregation. When people or organizations are stressed over their finances or are not managing within their resources, their health is affected. In 2016 wellness fairs were part of the synod gatherings, and plan members had opportunities to test their financial literacy and review their pension account statement with the Executive Director. Treasurers were also welcome to discuss their financial administration challenges. All were invited to test their blood pressure, sugar levels and other biometric indicators.

President's and Executive Director's Message

BOARD SUCCESSION



John Wolff

Every second year, half the board terms come to an end. Since 2016 was not one of those years, it was unexpected that we said good-bye to two board members this past year. Bob Matthes joined the board in 2013 and tendered his resignation due to health concerns in March 2016. Sadly we note his passing on December 17, 2016. Rev. Mark Van House also faithfully served, beginning in 2011. He resigned in August 2016 when he received a call to a congregation in the ELCA. Both men were greatly appreciated for their conscientious work; they will be missed.

The Directors welcomed John Wolff's return to the board, after a six-year break, filling the vacancy left by Bob. John's investment expertise will be a great asset in this challenging area of responsibility. The board was also pleased that Rev. Susan Climo (called to Holy Spirit of Peace - Mississauga) agreed to fill the vacancy left by Mark. Susan's many gifts and insights have already been valuable in the board's decision making.



Rev. Susan Climo

President's and Executive Director's Message

WELCOMING NEW FRIENDS

The Board received a request from the Moravian Church in Canada to have their employees join the ELCIC Pension Plan. After some work on our governing documents and changes approved by National Church Council, eight congregations and the district office have joined as participating employers. One congregation is in Ontario, and the rest are in Alberta. We are pleased and excited to have them join us in saving for retirement!

LOOKING AHEAD

We look forward to seeing those of you joining us at National Convention in Winnipeg this summer or wherever our paths may cross. Thank you for the support you show to the work we do at GSI in our efforts to provide those with careers in the ELCIC with a great pension plan.

ELCIC Group Services Inc.
Administrator and Sponsor of the ELCIC Pension Plan



A handwritten signature in black ink that reads "Jackie Dojack".

Jackie Dojack
PRESIDENT



A handwritten signature in black ink that reads "Lisa Thiessen".

Lisa Thiessen
EXECUTIVE DIRECTOR

Investment Results



Mark Johnson
INVESTMENT
COMMITTEE CHAIR

The ELCIC Pension Plan oversight responsibilities include monitoring and evaluating the performance of the investment managers. While we would always prefer to have positive returns, there are also a number of other ways to measure ‘how well’ the investment portfolios did.

Most members focus on the results of the past year, which is understandable as those dollar amounts are shown on their member statement. Here are one-year results for 2016:

Fixed Income Fund Investments	One-Year ELCIC Pension Plan Return	One-Year Index Return	Index Description
Bond Fund	2.3%	1.7%	FTSE TMX Canada Universe Bond Index
Mortgage Fund	2.0%	1.0%	FTSE TMX Canada Short Term Bond Index

Growth Fund Investments	One-Year ELCIC Pension Plan Return	One-Year Index Return	Index Description
Canadian Equity - Value	18.8%	21.1%	S&P/TSX Capped Index
Canadian Equity - Growth	15.3%	21.1%	S&P/TSX Capped Index
Global Equity Sustainability Fund	1.4%	4.4%	MSCI World Index CAD

The Canadian equity market was the strongest in the world in 2016. The Canadian investment managers for the ELCIC Pension Plan lagged the benchmark, as they were not invested heavily in the energy sector, but still posted high double-digit results. The new global equity manager, Allianz also struggled to achieve benchmark or better results. All the investment managers cite the volatile market due to the US election result.

Another interesting thing to note is that MSCI World Index returned 8.15% in USD, and the MSCI ACWI Index in USD posted 7.86% for 2016. The CAD conversion rate to USD rate at the end of 2016 was 0.7448, making up for a bit of the fall during 2015.

Investment Results

As mentioned in the opening comments, overall the ELCIC Pension Plan earned 6.4% based on the combination and weighting of assets in each of these categories. While this is only slightly higher than last year's 6.1%, the ELCIC Pension Plan did not do as well as the median balanced pension plan in Canada which returned 7.1%. When the expenses to run the plan are deducted, the net return stands at 5.6%. Each plan member will have a slightly different result based on the weighting in their account of these two funds and the timing of their contributions made throughout the year.

Because of the various market cycles and the diverse investment styles of the investment managers, the performance is also evaluated on a rolling 4-year basis against the same index to achieve a better understanding of how each manager is performing. GSI reviews the results each quarter to the expectations described in the SIP&P.

Here are the outcomes of the four-year annualized returns ending December 31, 2016:

Fixed Income Fund Investments	Four-Year Rolling ELCIC Pension Plan Return	Four-Year Rolling Index Return	Minimum Target	Met
Bond Fund	3.6%	3.1%	Index + 0.25% = 3.35%	Yes
Mortgage Fund	3.9%	2.1%	Index + 0.4% = 2.5%	Yes

Growth Fund Investments	Four-Year Rolling ELCIC Pension Plan Return	Four-Year Rolling Index Return	Minimum Target	Met
Canadian Equity - Value	12.6%	8.5%	Index + 0.5% = 9.0%	Yes
Canadian Equity - Growth	12.0%	8.5%	Index + 0.5% = 9.0%	Yes
Global Equity Sustainability Fund	Allianz investment began January 1, 2016. Therefore 4-year experienced returns are not yet available			

And finally, we want to ensure that the managers are adding value compared to the Consumer Price Index (CPI).

	2016 Return	2016 CPI + 1% met	Four-Year Rolling Return	Four-Year CPI + 1% met
Fixed Income Fund	2.2%	1.5% + 1% = 2.5% no	3.6%	1.5% + 1% = 2.5% yes

	2016 Return	2016 CPI + 5% met	Four-Year Rolling Return	Four-Year CPI + 5% met
Growth Fund	9.5%	1.5% + 5% = 6.5% yes	14.0%	1.5% + 5% = 6.5% yes

Statement of Financial Position

	Fixed Income Fund	Growth Fund	Total 2016	Total 2015
	\$	\$	\$	\$
Investments				
Cash and money market	544,816	276,786	821,602	999,746
Cash in transit to global equities				23,915,583
Community Values Bond Fund	28,244,178		28,244,178	30,602,938
Mortgage Fund	7,534,382		7,534,382	7,941,052
Canadian equity		26,391,662	26,391,662	22,595,236
Global equity		24,505,115	24,505,115	
Accrued Income		17,074	17,074	13,647
	<u>36,323,376</u>	<u>51,190,637</u>	<u>87,514,013</u>	<u>86,068,202</u>
Pension Contributions Receivable				
Employer	49,441	77,010	126,451	72,695
Member	43,434	67,211	110,645	63,609
	<u>92,875</u>	<u>144,221</u>	<u>237,096</u>	<u>136,304</u>
Other Assets and Liabilities				
	<u>(10,042)</u>	<u>(14,148)</u>	<u>(24,190)</u>	<u>57,049</u>
Net Assets Available for Benefits				
	<u>36,406,209</u>	<u>51,320,710</u>	<u>87,726,919</u>	<u>86,261,555</u>

Statement of Changes in Net Assets Available for Benefits

	Fixed Income Fund	Growth Fund	Total 2016	Total 2015
	\$	\$	\$	\$
Contributions				
Employer required	870,597	1,293,150	2,163,747	2,125,966
Member required	752,925	1,121,225	1,874,150	1,857,846
Member voluntary	18,925	23,971	42,896	33,909
	1,642,447	2,438,346	4,080,793	4,017,721
Investment Result	929,251	4,693,729	5,622,980	5,147,728
Interfund Rebalancing	1,297,129	(1,297,129)		
Account Transfers to Retirement Plans	(4,193,425)	(3,212,546)	(7,405,971)	(4,693,372)
Management Fees	(284,314)	(548,124)	(832,438)	(816,156)
Increase in Net Assets	(608,912)	2,074,276	1,465,364	3,655,921

The financial statements were prepared by the Pension Plan Administrator, ELCIC Group Services Inc., and audited by PricewaterhouseCoopers LLP. The Finance and Audit Committee review the financial statements to ensure that appropriate internal control procedures and management information systems are in place and recommend the annual operating budget. Complete financial statements are available upon request.



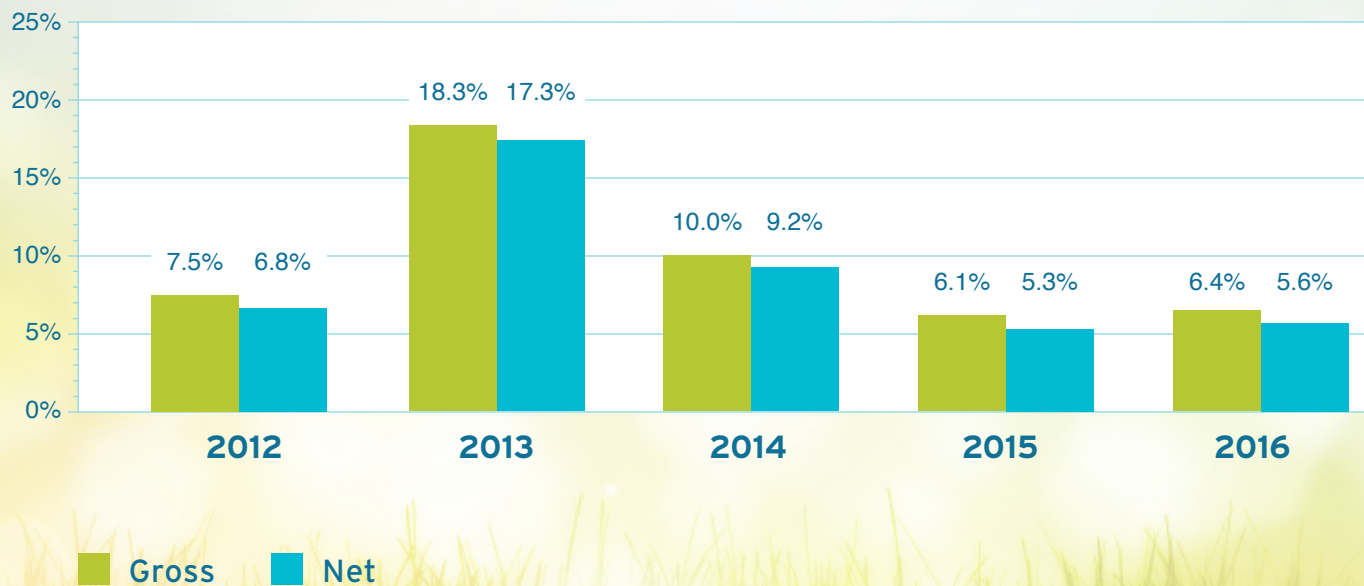
Ian Koellner
FINANCE AND AUDIT
COMMITTEE CHAIR

Statistical Information

Plan Membership

	Active	On Leave	Deferred Retirement	Total 2016	Total 2015
Members, January 1st	515	61	244	820	848
New members	37			37	33
Transitions	(13)		13	0	
Account transfers to retirement plans	(24)	(4)	(26)	(54)	(61)
Members, December 31st	515	57	231	803	820

Return History



ELCIC Pension Plan Description

The following general description of the Pension Plan for Clergy and Lay Workers of the Evangelical Lutheran Church in Canada (ELCIC Pension Plan) is a summary only. For more complete information, please refer to the Registered Pension Plan document.

General

The ELCIC Pension Plan is a defined contribution plan for Rostered and non-Rostered employees of the Evangelical Lutheran Church in Canada (ELCIC), and its congregations, related institutions and agencies. It is registered with Canada Revenue Agency and with the Financial Services Commission of Ontario (registration number 0533240.) The Pension Plan is a Registered Pension Trust as defined in Section 149(1)(o) of the Income Tax Act (Canada).

Administration

ELCIC Group Services Inc. (GSI) is the Administrator of the ELCIC Pension Plan. GSI has engaged an Executive Director and support staff to handle day-to-day administrative matters. GSI has also engaged the services of investment fund managers, as well as a trustee and custodian.

Member Accounts

All of the ELCIC Pension Plan's assets are held in trust by the ELCIC Pension Plan's custodian for the credit of the individual members' accounts. At any point in time, the aggregate individual members' account balances equal the value of the assets in the trust. Pension contributions (both member and employer) are recorded in the members' accounts as they are received for each active member.

Investment income (loss) earned is allocated to members' accounts based on the actual dollar weighted rate of return, net of fees, expenses and changes on the combined investments for each month.

Funding Policy

ELCIC Pension Plan active members and their respective employers contribute to the members' pension accounts based on a percentage of Salary: members 7%, employers 8%. Members may also make voluntary contributions. Both required and voluntary pension contributions from the member must be made by means of payroll deduction.

The combined contributions of a member and the employer cannot exceed the maximum as defined under the Income Tax Act (Canada) from time to time. Member contributions to the Pension Plan are tax deductible, subject to the limitations in the Income Tax Act (Canada).

Vesting

Members are entitled to the entire accumulated balance in their account in the event of termination, retirement or death. This amount includes member contributions, employer's allocated contributions plus investment income (loss) allocated to that date.

ELCIC Pension Plan Description

Transfers

Members may transfer the balance accumulated in their account to an authorized financial institution when they cease to be employed by a participating employer and, in the case of Rostered employees, the roster status is retired or removed. However, such transfers are subject to lock-in provisions (i.e. amount that cannot be received in cash). Transfers must be completed by the end of the year in which the member attains age 71.

Retirement

At retirement, the accumulated account balance is available to purchase a retirement income payable from outside the pension plan fund. There are a number of retirement income options available, which vary based on the pension jurisdiction in which the member last worked.

Death Benefit

If a member dies before retirement, the account balance could be transferred on a locked-in basis or used to purchase a life annuity for the pension partner from an authorized financial institution. Either an immediate or deferred annuity may be chosen, but if deferred, then payment must commence no later than December 31 of the year in which the pension partner attains age 71. The value of voluntary contributions may be used as described above, or paid to the pension partner in a lump sum. If the member does not have a pension partner, the value of the account will be paid in a lump sum to the named beneficiary, if any, and otherwise to the estate of the deceased.

Statement of Investment Policies & Procedures “SIP&P”

An investment policy was written and approved at the time the ELCIC Pension Plan was established in 1986. At least annually the SIP&P is reviewed and updated or amended as required. The latest version was approved on October 31, 2016.

SIP&P Section 6 Evaluation of Investment Management Performance was amended in 2016 to add a manager performance target specifically for the asset class of mortgages, which was previously combined with the bond fund targets.

The target criteria shown below was also redefined for each asset class to tie the minimum acceptable targets over the index more closely to the fees charged. Aspirational targets beyond this minimum were also added to communicate a further expectation.

6.2 The annualized return of each asset class component will be considered satisfactory if the annualized return (before management fees) over rolling four-year time periods exceeds the return that would result from a passive investment in the corresponding capital market index as indicated by the respective minimum acceptable target.

Asset Class	Minimum Acceptable Target	Aspirational Target
Bonds	25 bps	50 bps
Mortgages	40 bps	75 bps
Canadian Equities	50 bps	150 bps
Global Equities	100 bps	200 bps

A due diligence review is undertaken when the minimum target has not been met over a four-year period, and a further review, including a look at other available manager alternatives, will be undertaken if performance targets are not met for six to eight quarters following the initial review.

The latest version of the SIP&P, which includes these amendments, was approved October 31, 2016, and is posted on the GSI website.

Plan Administration

Board of Directors

Officers	Directors	Chair Position	Term	Expires
President	Jackie Dojack, MEd	Board / Nominating	2nd	2017
Vice President	Mark Johnson, CPA, CA	Investment	1st	2017
Secretary	Pamela Giles, PhD	Communications	1st	2019
Treasurer	Ian Koellner, CPA, CA	Finance & Audit	2nd	2017
	Larry Hofmeister, CPA, CMA	Benefits	1st	2019
	Philip Lokken, LLB	Governance	1st	2019
	John Wolff, CPA CMA, CFP, EPC		1st	2017
	Susan Climo, M. Div.		1st	2019

Staff

Lisa Thiessen, CPA, CA	Executive Director
Barb Fortier, B. Comm (Hons)	Pension & Benefits Administrator
Marlene Lucky	Communications & Accounting Assistant
Andrea Christensen	Accounting & Office Assistant

Advisors & Consultants

Firm	Role	Appointed
MLT Aikins LLP	Legal Counsel	October 1997
CIBC Mellon GSS	Custodian	April 1999
CIBC Mellon GSS	Trustee	July 2003
Eckler	Retirement Consultants	March 2014
PricewaterhouseCoopers LLP	Auditors	September 2013
AllianzGI	Investment Manager	December 2015
Jarislowsky Fraser	Investment Manager	November 2002
Manulife Asset Management	Investment Manager	November 2008
Phillips, Hager & North	Investment Manager	February 2005
Mercer	Pension Consultants	March 2002
Mercer Investment	Investment Consultants	October 2003

Contact Information

Address	Email / Website	Winnipeg residents call:	Outside Winnipeg toll free:
ELCIC Group Services Inc. 805-177 Lombard Ave Winnipeg, MB R3B 0W5	info@elcicgsi.ca www.elcicgsi.ca	204-984-9181	1-877-352-4247

GSI Board of Directors



BACK ROW (LEFT TO RIGHT)

Susan Climo, Larry Hofmeister, Philip Lokken, John Wolff

FRONT ROW (LEFT TO RIGHT)

Ian Koellner, Pamela Giles, Jackie Dojack, Mark Johnson



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