

# Annual Report 2017

ELCIC PENSION PLAN

*Administered by:*



### PERFORMANCE

The ELCIC Pension Plan had another year of positive results, earning 7.8% before expenses with 7.1% earned on a net basis in 2017. This slow and steady growth from last year at 6.4% and 2015 at 6.1% is a good formula for retirement savings, and we are pleased to have achieved this.

More details on the performance results can be found on pages 6 and 7.

### PENSION PLAN TEXT

The Pension Plan Text describes how funds are accumulated for the ultimate purpose of providing retirement income to eligible employees. This document is reviewed regularly and updated for changes in legislation, administrative improvements and advancing best practices.

There were a few administrative updates to the text in 2017. The most prominent change was that the name of the pension plan was changed from "Pension Plan for Clergy and Lay Workers of the Evangelical Lutheran Church in Canada" to "ELCIC Pension Plan". The list of changes is presented on page 13.

### INVESTMENT POLICY

The Statement of Investment Policies & Procedures (SIP&P) is reviewed at least annually and updated or amended as required at each review.

Economists have been speculating for some time on the rise of interest rates, thus prompting the GSI Board to review the investment policy with this in mind. A couple of amendments were made to mitigate some of the risk related to a rising interest rate environment. The amended sections are presented on page 13. The complete SIP&P is posted on the GSI website.

### RESPONSIBLE INVESTING

Responsible investing continues to be an important piece of all the investment reviews and decisions. In 2017, the GSI Board participated in a professional development session on this topic as it continues to evolve and move into the mainstream. We learned that many investors believe strongly that incorporating environmental, social and governance (ESG) factors in the investment process can mitigate risk and add value and that the adoption of ESG investing appears to be growing. This is something that the ELCIC Pension Plan intends to take advantage of going forward, as more ESG investment opportunities become available and investors find better ways to assess their added value.

### BOARD SUCCESSION

We thank Jackie Dojack for her ten years of service, the last six as President. Her many gifts and strong leadership will be missed. We have also appreciated the many contributions from Ian Koellner over his eight years on the board, serving most recently as the Treasurer and as the Finance & Audit Committee Chair.

During 2017, two Board members, John Wolff and Mark Johnson, were confirmed to serve another term; John Wolff was elected as President, while Mark Johnson fills the roles of Treasurer and Finance & Audit Committee Chair.

Two new directors, Cathy Wilke and Ray Henrickson, were elected to the Board this fall. Cathy is a member of St Luke's Lutheran Church in Kitchener, Ontario, and a great asset to the Board due to her work experience. She brings current knowledge of pension legislation, regulatory requirements and pension & benefits administrative challenges. Ray, a member at Grace Evangelical Lutheran Church in Oakville, Ontario, brings a wealth of knowledge from his roles related to operational risk management, accounting, information technology risk and controls, governance, team building and leadership.

### FINANCIAL WELLNESS

The GSI Board held a strategic planning session this past fall and determined that a current priority is to focus on financial wellness. Mercer defines financial wellness as the ability to achieve the following:

- day-to-day and month-to-month control over your finances
- the capacity to manage a financial shock
- ability to make, monitor and achieve short-term, mid-term and long-term goals
- the freedom to enjoy life without the burden of financial concerns

While there may already be some tools and information available through our insurance providers and Employee Assistance Plan to assist you with this, GSI would like to offer support to our plan members to achieve a higher level of financial wellness. This Spring we will be surveying plan members to get a better understanding of where the greatest needs might be. We will be using this information to carefully develop, redesign and/or enhance the pension and benefits plans sponsored by GSI. We are also participating in synod events and providing a series of financial wellness workshops.

### LOOKING AHEAD

We look forward to seeing those of you who join us at the various synod events this year or wherever our paths may cross. We encourage you to participate in the survey to ensure your voice and perspective is heard.

Thank you for the support you show to the work we do at GSI in our efforts to provide those who work in the ELCIC with a great pension plan.

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



John Wolff  
PRESIDENT



Lisa Thiessen  
EXECUTIVE DIRECTOR



Mark Johnson  
INVESTMENT  
COMMITTEE CHAIR

The ELCIC Pension Plan oversight responsibilities include reviews and updates to the Statement of Investment Policies & Procedures (SIP&P). Please see page 13 for 2017 amendments. This policy requires the GSI Board to monitor and evaluate performance of the investment managers. The tables on the next pages provide the data at certain points in time; we assess the results against Benchmarks.

### RESPONSIBLE INVESTING

Over the last five years, we have been reporting on the amendments to the SIP&P that relate to strengthening our requirements for responsible investing. The opening report on page 2 mentioned the recent Board professional development session on this topic. I would like to highlight here a few other important items learned in this session.

First, responsible investing is not values-based judgements or negative screening. It is an enhanced analysis of companies through environmental, social and governance (ESG) integration. A global movement has created many investor-led initiatives and corporate reporting standards such as:

- Principles for Responsible Investing (PRI)
- Investor Stewardship Group (ISG)
- Sustainability Accounting Standards Board

Second, there have been several studies that provide empirical evidence supporting a positive link between ESG and performance. To this end, the investment managers of the ELCIC Pension Plan have stated that they use ESG as a tool for identifying and avoiding risk, as well as for identifying opportunities.

## 2017 INVESTMENT RETURNS AND PERFORMANCE

The ELCIC Pension Plan earned 7.8% in 2017 based on the combination and weighting of assets in each of these categories. When the expenses to run the plan are deducted, the net return stands at 7.1%. Each plan member will have a slightly different result based on the weighting in their account of these two funds and the timing of the contributions made throughout the year. Here is a breakdown of how each manager performed against the benchmark:

Fixed Income Fund Investments	One-Year ELCIC Pension Plan Return	One-Year Benchmark Return	Benchmark Description
Bond Fund	2.6%	2.5%	FTSE TMX Canada Universe Bond Index
Mortgage Fund	2.4%	0.1%	FTSE TMX Canada Short Term Bond Index

Growth Fund Investments	One-Year ELCIC Pension Plan Return	One-Year Benchmark Return	Benchmark Description
Canadian Equity: Value	6.4%	9.1%	S&P/TSX Capped Index
Canadian Equity: Growth	8.5%	9.1%	S&P/TSX Capped Index
Global Equity Sustainability Fund	17.4%	15.0%	MSCI World Index CAD

## FOUR-YEAR RESULTS

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

Here are the outcomes of the four-year annualized returns ending December 31, 2017.

Fixed Income Fund Investments	Four-Year Rolling ELCIC Pension Plan Return	Four-Year Rolling Index Return	Minimum Target	Met
Bond Fund	4.4%	4.1%	Index + 0.25% = 4.35%	Yes
Mortgage Fund	3.6%	1.7%	Index + 0.4% = 2.1%	Yes

Growth Fund Investments	Four-Year Rolling ELCIC Pension Plan Return	Four-Year Rolling Index Return	Minimum Target	Met
Canadian Equity: Value	8.6%	7.6%	Index + 0.5% = 8.1%	Yes
Canadian Equity: Growth	8.7%	7.6%	Index + 0.5% = 8.1%	Yes
Global Equity Sustainability Fund	*	13.3%	Index + 1.0% = 14.3%	

\*Allianz was appointed effective 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).

	2017 Return	2017 CPI + 1% met	Four-Year Rolling Return	Four-Year CPI + 1% met
Fixed Income Fund	2.7%	2.6% + 1% = 3.6% no	4.5%	1.8% + 1% = 2.8% yes

	2017 Return	2017 CPI + 5% met	Four-Year Rolling Return	Four-Year CPI + 5% met
Growth Fund	12.5%	2.6% + 5% = 7.6% yes	10.3%	1.8% + 5% = 6.8% yes

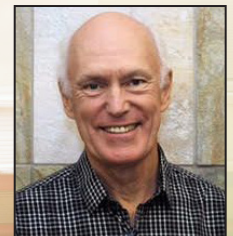
## Statement of Net Assets Available for Benefits

	Fixed Income Fund	Growth Fund	Total 2017	Total 2016
	\$	\$	\$	\$
<b>Investments</b>				
Cash and money market	834,339	170,427	1,004,766	821,602
Community Values Bond Fund	26,013,538		26,013,538	28,244,178
Mortgage Pension Trust Fund	7,575,432		7,575,432	7,534,382
High Yield Mortgage Fund	2,701,898		2,701,898	
Canadian equity		25,949,840	25,949,840	26,391,662
Global equity		25,805,827	25,805,827	24,505,115
Accrued Income		19,284	19,284	17,074
	<u>37,125,207</u>	<u>51,945,378</u>	<u>89,070,585</u>	<u>87,514,013</u>
<b>Pension Contributions Receivable</b>				
Employer	56,905	85,391	142,296	126,451
Member	49,791	74,653	124,444	110,645
	<u>106,696</u>	<u>160,044</u>	<u>266,740</u>	<u>237,096</u>
<b>Other Assets and Liabilities</b>				
	<u>173,182</u>	<u>259,772</u>	<u>432,954</u>	<u>(24,190)</u>
<b>Net Assets Available for Benefits</b>				
	<u>37,405,085</u>	<u>52,365,194</u>	<u>89,770,279</u>	<u>87,726,919</u>

## Statement of Changes in Net Assets Available for Benefits

	Fixed Income Fund	Growth Fund	Total 2017	Total 2016
	\$	\$	\$	\$
<b>Investments</b>				
Employer required	885,576	1,343,584	2,229,160	2,163,747
Member required	772,007	1,171,763	1,943,770	1,874,150
Member voluntary	22,331	26,606	48,937	42,896
	<u>1,679,914</u>	<u>2,541,953</u>	<u>4,221,867</u>	<u>4,080,793</u>
<b>Investment Result</b>	990,154	5,918,590	6,908,744	5,622,980
<b>Interfund Rebalancing</b>	3,968,453	(3,968,453)		
<b>Account Transfers to Retirement Plans</b>	(4,499,976)	(3,735,897)	(8,235,873)	(7,405,971)
<b>Management Fees</b>	(280,664)	(570,714)	(851,378)	(832,438)
	<u>1,857,881</u>	<u>185,479</u>	<u>2,043,360</u>	<u>1,465,364</u>
<b>Increase in Net Assets</b>				

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.

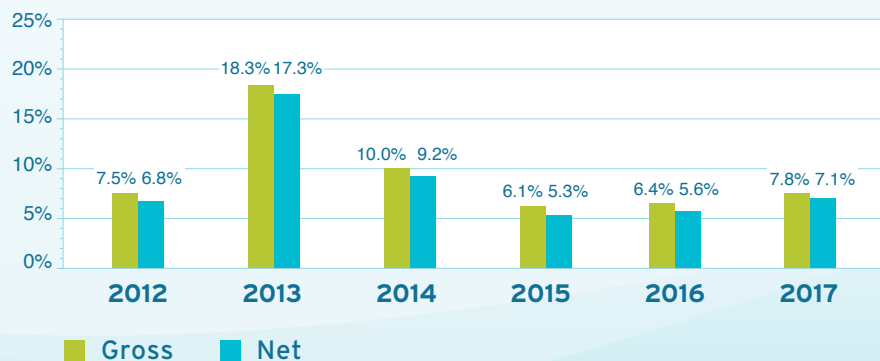


Mark Johnson  
FINANCE AND AUDIT  
COMMITTEE CHAIR

Plan Membership

	Active	On Leave	Deferred Retirement	Total 2017	Total 2016
Members, January 1st	515	57	231	803	820
New members	63			63	37
Transitions	(17)	(6)	23	0	
Account transfers to retirement plans	(35)	(6)	(23)	(64)	(54)
Account paid out on death	(1)	(1)		(2)	
Members, December 31st	525	44	231	800	803

Return History



The following general description of the ELCIC Pension Plan is a summary only. For more complete information, 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 entities associated with it. It is registered with Canada Revenue Agency and with the Financial Services Commission of Ontario, registration number 0533240. The ELCIC Pension Plan is a Registered Pension Trust as defined in Section 149(1) (o) of the Income Tax Act (Canada).

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 contributions) 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.

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.

Funding Policy

ELCIC Pension Plan active members and their respective employers contribute to the members' pension accounts at a specified contribution rate applied to the members' Salary Basis: 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.

### Funding Policy (cont.)

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 ELCIC 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.

### 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 locking-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 or provide 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 death benefit is equal to the total value of the member's account with interest. If survived by a spouse or common-law partner, the death benefit may be used to purchase an immediate or deferred life annuity from an insurance company or be transferred to either a Locked-In Retirement Account, Life Income Fund, or other registered savings vehicle subject to the Income Tax Act and the Pension Benefit Act. In some provincial jurisdictions, the spouse may elect to take the death benefit as a lump sum cash payment, less applicable tax withholding. If any portion of the death benefit is from voluntary contributions, the surviving spouse or common-law partner may elect to receive this portion as a taxable lump sum. If the member is not survived by a spouse or common-law partner or the entitlement to the death benefit is waived by the spouse or common-law partner in accordance with the legislation, the death benefit will be paid in a taxable lump sum to the named beneficiary, if any, or otherwise to the estate.

Our ongoing governance procedures include at least annual reviews of significant policies such as those describing the investments and management of the ELCIC Pension Plan. Here is a description of the amendments arising from the review in 2017.

### STATEMENT OF INVESTMENT POLICIES & PROCEDURES "SIP&P"

The latest version was approved on March 17, 2017 and included the following changes:

- The benchmark portfolio in section 4 of the SIP&P for the Fixed Income Fund was amended to reduce the allocation to Universe Bonds to 69% from 78% and to increase the allocation to Mortgages to 30% from 20%. The 1% remaining difference was added to the cash allocation with an updated proxy of FTSE TMX Canada 90 Day T-bill Index (previously unspecified proxy). A note was added to the Mortgages allocation stating that up to one-third of the Mortgages may be invested in the PH&N High Yield Mortgage Fund. The ranges of allowable asset allocation around these benchmark targets, described in SIP&P section 7, was updated to align with the revised benchmark in SIP&P section 4.
- Section 5 of the SIP&P now includes an additional investment belief that high yield mortgages provide diversification to the fixed income fund as they are less sensitive to movements in interest rates and have different risk/reward characteristics relative to universe bonds.
- Section 8.1a added the clarification that, with respect to the investments in high yield mortgages, it is understood that these funds have specific liquidity characteristics that will affect purchase and redemption timelines.

## TEXT OF THE ELCIC PENSION PLAN

The latest version was approved effective April 1, 2017 and included the following changes:

- The name “Pension Plan for Clergy and Lay Workers of the Evangelical Lutheran Church in Canada” was changed to “ELCIC Pension Plan”.
- The references and definitions of Clergy and Lay Workers were changed to Rostered and Non-Rostered respectively.
- The definition of Disability was expanded to generally include short-term and long-term disability.
- The definition of Service was expanded to include periods when a Member is not actively at work due to Disability or on a Statutory Leave of Absence.
- The requirement for Non-Rostered employees to serve a 90-day waiting period prior to enrollment in the plan was removed.
- Expenses of the ELCIC Pension Plan are now described in greater detail.
- The section on contributions while on a Disability Leave was updated to reflect the new short-term disability policy.

## Board of Directors

Officers	Directors	Chair Position	Term	Expires
President	John Wolff, CPA CMA	Board / Nominating	1st	2021
Vice President	Susan Climo, MDiv		1st	2019
Secretary	Pamela Giles, PhD	Communications	1st	2019
Treasurer	Mark Johnson, CPA CA	Finance & Audit	2nd	2021
	Larry Hofmeister, CPA CMA	Investment		
	Philip Lokken, LLB	Benefits	1st	2019
	Ray Henrickson, CPA CA	Governance	1st	2021
	Cathy Wilke, BA		1st	2021

## Staff

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

## Advisors & Consultants

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









**ELCIC Group Services Inc.**

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