



Annual Report 2018

ELCIC PENSION PLAN

Administered by:



President's and Executive Director's Message

FINANCIAL WELLNESS

Financial Wellness has become a popular topic in the financial industry. The GSI Board has studied what this really means and investigated how the plan members might benefit from it. We also undertook a member survey this past April to better understand what members are thinking and what their needs are. Thank you to all who participated.

Great news: the overwhelming message from the survey was that members love their jobs! The survey also validated that GSI is going in the right direction by taking a more holistic approach. The sessions we hosted in 2018 at the various synodical events offered financial wellness workshops that focused not only on planning for retirement, as was the case in the past, but on financial wellness throughout one's career. These events also provided opportunities for members to chat with a dietitian, consult with a kinesiologist, or have a quick massage. Our monthly newsletter content is also shifting to an overall wellness approach: physical, mental, and financial health.

Another finding from the survey was that plan members are seeking more control over and flexibility with their financial decisions. The Board is considering how this can be accomplished and already has a couple of new initiatives planned. We certainly welcome any additional ideas or feedback you may have.



President's and Executive Director's Message

INVESTMENT PERFORMANCE

The ELCIC Pension Plan earned -1.1% in 2018, based on the combination and weighting of assets in each of the investment funds. This is a better result than the median balanced pooled fund of -2.5%. Each of the Plan's investment managers earned a first or second quartile ranking for their 2018 performance when ranked against other investment managers. So, while the Plan experienced a loss, our position ended better than most. The details on the performance results by fund and manager can be found on page 5.

In the Board's ongoing effort to review strategy and performance and make improvements on those, an intense focus on the Growth Fund strategy and manager appointments was undertaken this past year. The investment report on page 4 details the process and outcomes.

Thank you to the consultants of the ELCIC Pension Plan for their diligence in keeping the Board informed and guidance in the decision making. A big thanks also to the plan members and congregations for your partnership and trust. As always, we welcome your feedback and comments.

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



A handwritten signature of John Wolff in black ink.

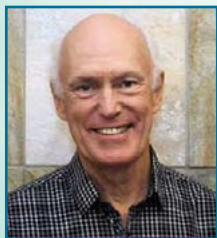
John Wolff
PRESIDENT



A handwritten signature of Lisa Thiessen in black ink.

Lisa Thiessen
EXECUTIVE DIRECTOR

Investment Report



Mark Johnson

INVESTMENT
COMMITTEE CHAIR

It was a very busy year for the GSI Board with respect to its investment responsibilities, as it undertook a couple of significant projects.

STRATEGY

The focus this year was to carefully review the policy and management of the investments in the Growth Fund, as 2017 concentrated on the Fixed Income Fund.

Since the inception of the Growth Fund in 2013, its assets have been allocated equally to Canadian equities and global equities. This year, the Board commissioned Mercer to prepare a report that compared characteristics and potential results of different Canadian/global allocations. The report supported a change from the 50/50 split to allocating 40% of the assets to Canadian equities and 60% to global equities; the Board voted to shift GSI's Growth Fund allocation accordingly.

This change is also described in the amendments to Statement of Investment Policies & Procedures (SPI&P) on page 13.

MANAGER REVIEW AND SEARCH

The Board's governance responsibilities include a due diligence review of the investment managers, which is primarily based on the investment results they achieved compared to targets set in the SIP&P. This review, coupled with the policy change for asset allocation, prompted the Board to undertake a market search of investment managers. The landscape around responsible investing has evolved significantly since the last review, and this became an important criteria for the selection process.

Mercer was engaged to guide the project by developing a list of candidates, from which the Board selected several firms to make in-person proposal presentations. The outcome of this review was to terminate Jarislowsky Fraser and Manulife Asset Management and appoint PH&N to manage the Canadian equities portion of the Growth Fund. For the global equities portion of the Growth Fund, the Board reduced the allocation to Allianz and added the RBC Global Equity Focus Fund. These two managers now equally split the global equity allocation.

Investment Report

MANAGER REVIEW AND SEARCH (cont.)

Both of the new funds are among the highest rated for their strategy to integrate environmental, social and corporate governance (ESG) factors, as well as active ownership practices (voting and engagement). Their investment performance history is in the top quartile when compared to their peers, and both funds have a strong track record of out-performing the market.

INVESTMENT RETURNS

The ELCIC Pension Plan earned -1.1% in 2018, based on the combination and weighting of assets in each of these categories. This is a better result than the median balanced pooled fund of -2.5%. When the expenses to run the Plan are deducted, the net return stands at -1.8%. Each plan member will have a slightly different result based on the weighting of these two funds in their account and the timing of contributions made throughout the year.

PERFORMANCE OBJECTIVES AND RESULTS

In order to meet the objective of the ELCIC Pension Plan, which is to accumulate funds for the ultimate purpose of providing retirement income, the target return for each of the Fixed Income Fund and the Growth Fund is defined as a long-term real rate return in relation to the Consumer Price Index (CPI). The results in the following chart support the search process and new appointments made by the Board during the year.

	2018 Return	2018 CPI + 1% met	Four Year Rolling Return	Four Year CPI + 1% met
Fixed Income Fund	2.5%	3.0% no	2.9%	2.8% yes

	2018 Return	2018 CPI + 5% met	Four Year Rolling Return	Four Year CPI + 5% met
Growth Fund	(3.2%)	7.1% no	6.6%	6.8% no

Note that these results are based on the actual assets held in the ELCIC Pension Plan. These may vary from the performance shown in the following charts, which report the returns of the newly appointed managers.

Investment Report

Each manager is evaluated individually against the appropriate benchmark. The 2018 year-end results of the investment managers are:

Fixed Income Fund Investments	2018 Fund Return	2018 Benchmark Return	Benchmark Description
PH&N Core Plus Bonds	1.49%	1.41%	FTSE Canada Universe Bond Index
Mortgage Pension Trust	4.18%	1.91%	FTSE Canada Short Term Bond Index
High Yield Mortgage	7.00%	1.91%	FTSE Canada Short Term Bond Index

Growth Fund Investments	2018 Fund Return	2018 Benchmark Return	Benchmark Description
PH&N Canadian Equity (1)	(7.60%)	(8.89%)	S&P/TSX Capped Index
RBC Global Equity Focus (1)	2.11%	0.06%	MSCI World Index CAD
Allianz Global Equity Sustainability	0.87%	0.06%	MSCI World Index CAD

1. These funds hold ELCIC Pension Plan assets as of December 1, 2018, and therefore the results shown are historical to those funds but not to the ELCIC Pension Plan.



Investment Report

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, 2018:

Fixed Income Fund Investments	Four-Year Rolling Fund Return	Four-Year Rolling Index Return	Minimum Target	Met
PH&N Core Plus Bonds	3.36%	2.27%	Index + 0.25% = 2.52%	Yes
Mortgage Pension Trust	3.09%	1.40%	Index + 0.4% = 1.80%	Yes
High Yield Mortgage (1)	n/a	1.40%	Index + 0.4% = 1.80%	n/a

Growth Fund Investments	Four-Year Rolling Fund Return	Four-Year Rolling Index Return	Minimum Target	Met
PH&N Canadian Equity (2)	3.82%	2.49%	Index + 0.5% = 2.99%	Yes
RBC Global Equity Focus (2)	13.05%	9.47%	Index + 1.0% = 10.47%	Yes
Allianz Global Equity Sustainability (3)	10.38%	9.47%	Index + 1.0% = 10.47%	No

1. The High Yield Mortgage fund was established on April 1, 2017, therefore 4-year results are not available.
2. These funds hold ELCIC Pension Plan assets as of December 1, 2018; therefore the results shown are historical to those funds but not to the ELCIC Pension Plan.
3. This result is blended with the legacy manager GMO to December 2015. Allianz was appointed effective January 1, 2016.

Financial Statements

Statement of Net Assets Available for Benefits

	Fixed Income Fund	Growth Fund	Total 2018	Total 2017
	\$	\$	\$	\$
Investments				
Cash and money market	307,984		307,984	1,004,766
Core Plus Bond Fund	28,820,401		28,820,401	26,013,538
Mortgage Pension Trust Fund	8,960,283		8,960,283	7,575,432
High Yield Mortgage Fund	3,787,256		3,787,256	2,701,898
Canadian equity		17,201,569	17,201,569	25,949,840
Global equity		26,295,019	26,295,019	25,805,827
Accrued Income				19,284
	41,875,924	43,496,588	85,372,512	89,070,585
Pension Contributions Receivable				
Employer	50,422	50,422	100,844	142,296
Member	57,649	57,650	115,299	124,444
	108,071	108,072	216,143	266,740
Other Assets and Liabilities				
	187,288	187,288	374,576	432,954
Net Assets Available for Benefits				
	42,171,283	43,791,948	85,963,231	89,770,279

Financial Statements

Statement of Changes in Net Assets Available for Benefits

	Fixed Income Fund	Growth Fund	Total 2018	Total 2017
	\$	\$	\$	\$
Investments				
Employer required	894,123	1,327,958	2,222,081	2,229,160
Member required	781,887	1,161,648	1,943,535	1,943,770
Member voluntary	27,253	29,690	56,943	48,937
	1,703,263	2,519,296	4,222,559	4,221,867
Investment Result	724,178	(1,344,432)	(620,254)	6,908,744
Interfund Rebalancing	2,783,472	(2,783,472)		
Account Transfers to Retirement Plans	(3,738,765)	(2,759,835)	(6,498,600)	(8,235,873)
Management Fees	(328,038)	(582,715)	(910,753)	(851,378)
Increase in Net Assets	1,144,110	(4,951,158)	(3,807,048)	2,043,360

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.



Ray Henrickson
FINANCE AND AUDIT
COMMITTEE CHAIR



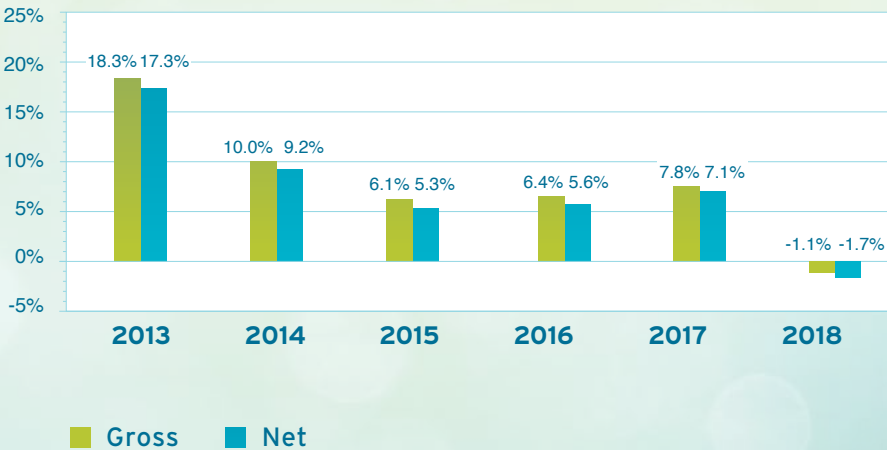
Statistical Information

Plan Membership

Number of Member Accounts

	Active	On Leave	Deferred Retirement	Total 2018	Total 2017
Members, January 1st	525	44	231	800	803
New members	43			43	63
Transitions	(5)		5	0	
Account transfers to retirement plans	(39)	(5)	(22)	(66)	(64)
Account paid out on death	(3)			(3)	(2)
Members, December 31st	521	39	214	774	800

Return History



ELCIC Pension Plan Description

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 the 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).

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 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.

Funding Policy

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

ELCIC Pension Plan Description

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 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. 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

ELCIC Pension Plan. 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. 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.

Policy Updates

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 2018.

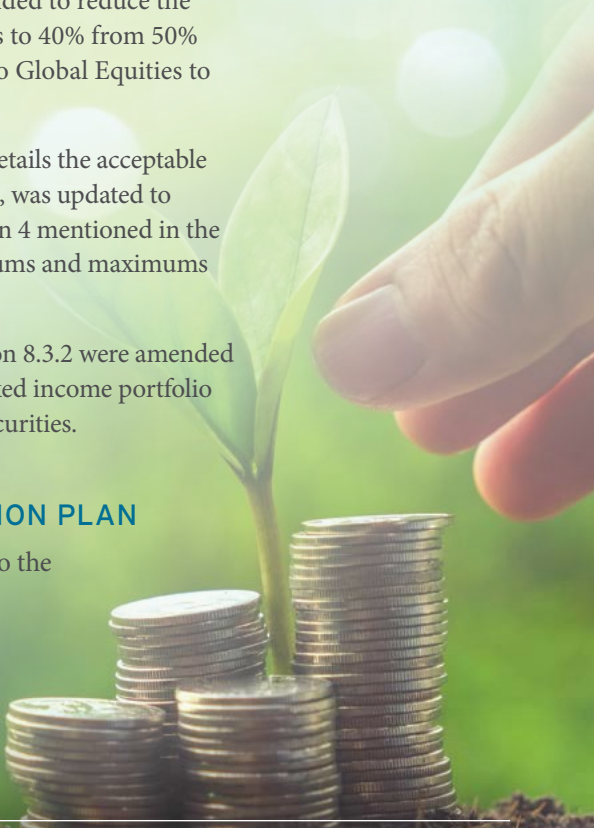
STATEMENT OF INVESTMENT POLICIES & PROCEDURES “SIP&P”

The latest version was approved on November 1, 2018 and included the following changes, to take effect on January 1, 2019:

- The benchmark portfolio in section 4 of the SIP&P for the Growth Fund was amended to reduce the allocation to Canadian Equities to 40% from 50% and to increase the allocation to Global Equities to 60% from 50%.
- Section 7 of the SIP&P, which details the acceptable ranges for asset class allocations, was updated to reflect the amendment to section 4 mentioned in the previous bullet, and the minimums and maximums adjusted accordingly.
- The quality constraints in Section 8.3.2 were amended to allow for up to 2.5% of the fixed income portfolio to hold BBB- or CCC+ rated securities.

TEXT OF THE ELCIC PENSION PLAN

There have been no amendments to the ELCIC Pension Plan since those reported in 2017.



Plan Administration

Board of Directors

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

Staff

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

Advisors & Consultants

Firm	Role	Appointed	Terminated
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	November 2018
Manulife Asset Management	Investment Manager	November 2008	November 2018
MLT Aikins	Legal Counsel	October 1997	
Phillips, Hager & North	Investment Manager	February 2005	
Mercer	Pension Consultants	March 2002	
Mercer Investment	Investment Consultants	October 2003	

GSI Board of Directors



LEFT TO RIGHT

Susan Climo, Larry Hofmeister, Cathy Wilke, Mark Johnson,
John Wolff, Ray Henrickson, Philip Lokken, Pamela Giles



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