

# Annual Report **2019** ELCIC PENSION PLAN

*Administered by:*



# **President's and Executive Director's Message**

*All the doorways and doorposts had squared artistic frames, and window was opposite window in three ranks. (1 Kings 7:5, NASB)*

In the New American Standard Bible translation of this verse, the narrator describes the doorways of Solomon's house as having two characteristics: they are squared, and they are artistic.

This could be a good analogy for the ELCIC Pension Plan. The administration aspect is square: there are columns of accounting figures, spreadsheets of investment return calculations, and the many regulations that must be followed in different Canadian jurisdictions laid out in grids. However, when explaining how the ELCIC's defined contribution Pension Plan works, we say that the plan member uses their account balance to create an income in retirement. This aspect of the ELCIC Pension Plan involves some artistry. The individual takes into account their personal goals and circumstances to design a unique income that works for them.

The metaphor can be extended. Doorways often represent transition. What lies beyond a given doorway is often unknown; standing on the threshold preparing to cross into this mystery can be exciting and a little frightening. Retirement is likewise a time of transition. GSI provides education, resources and support for plan members as they cross the threshold from working life to retirement and to help bring the future more clearly into focus.

## **INVESTMENT NOTES**

When a doorpost is squared, with the pieces nicely aligned, we can trust that the carpenter has taken time to carefully measure and review their work. The ongoing work of the Investment Committee is similar. This group regularly monitors the investment performance as measured against benchmarks and makes adjustments as needed to align with the objectives of the ELCIC Pension Plan. A description of the committee's work is presented on pages 4 through 8 of this Report.



# **President's and Executive Director's Message**

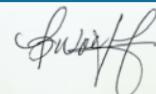
## **FACTS & FIGURES**

Summary financial statements and plan member data provide a narrative of the happenings of 2019. A look at the Net Assets Statement shows that this was a year in which the assets grew from 86 to 89 million. The effect of changing the investment policy to a greater allocation to global equities is depicted by breakdown in the pie chart on page 9.

This year saw the largest dollar amount of funds (\$12.5 million) leaving the ELCIC Pension Plan through the door as members begin their retirement. The transition in plan membership on page 11 indicates that there are 486 contributing members, down from the 521 at the beginning of the year.

The Board makes decisions and develops strategic directions only after careful and ongoing study of data and trends, to ensure that the goals and objectives of the ELCIC Pension Plan are met.



  
John Wolff  
**PRESIDENT**



  
Lisa Thiessen  
**EXECUTIVE DIRECTOR**

## **IN APPRECIATION**

We would like to thank Larry Hofmeister and Philip Lokken for their past years of service on the Board and their many contributions to the work accomplished. At the same time, we welcome new directors Vetta Simeonidis and Gordon Jensen, who attended their first meeting October 2019 (see page 15 for a complete list of directors and terms.)

It has been a good year, and we want to express our appreciation to National Church Council for their endorsement of the work we do, the congregations for their partnership, and the plan members for their trust and engagement. Please continue to share your feedback and comments.

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

# Investment Report



Mark Johnson

INVESTMENT  
COMMITTEE CHAIR

## GROWTH MANAGER APPOINTMENT

The focus in early 2019 was to complete the investment manager review and search for a global equity manager. The Board interviewed the incumbent manager and two other candidates selected from a list that were vetted by investment consultant Mercer.

The evaluation focused on two primary areas. One was the return performance accounting for risk and volatility.

The other was how the manager incorporated ESG (environmental, social and governance) criteria in making investment decisions. After careful deliberations Baillie Gifford, a highly respected manager, was appointed by the Board.

This completes the asset allocation and manager review for the Growth Fund that began in 2018. For a recap of the appointments, please see the section on page 8.

## LIFE CYCLE REVIEW

In 2013 the investment strategy for the life cycle was approved. The Fixed Income Fund and the Growth Fund were created to hold the assets within the ELCIC Pension Plan. Each member account is split between the two funds, based on the member's age, and rebalanced annually.

This year the Investment Committee began its review of several aspects of the life cycle design to determine if any improvements can be made. The review started with a comparison to other plans with life cycle strategies, which indicated that the current glide path lies within the range of these plans.

More analysis will continue in the coming year in the ongoing effort to meet the goals of the ELCIC Pension Plan.

## GOVERNANCE

Quarterly monitoring of the investment performance is the central piece of the Board's governance responsibilities. Since key indicators are reported on a rolling four-year basis, the recent manager changes will take some time to be fully integrated. The Board is cognizant of this and will carefully observe ongoing results and the cumulative effect.

# Investment Report

## GOVERNANCE (CONTINUED)

The governance process will continue to include annual in-person meetings with all managers where reports and discussions about the integration of ESG factors on investment decision take place.

## INVESTMENT RETURNS

The ELCIC Pension Plan earned 14.9% in 2019, based on the combination and weighting of assets in each of these categories. While this result lags the median balanced pooled fund of 15.3%, last year the ELCIC Pension Plan performed better than the median balance pooled fund when the results were losses. The risk tolerance strategy is set to protect the assets in down markets, with the tradeoff of not quite hitting the highs when the market is up.

## PERFORMANCE OBJECTIVES AND RESULTS

Specific targets for each Fund (Fixed Income and Growth) seek to measure the long-term real rate of return, which is defined in relation to the Consumer Price Index (CPI). This calculation is made for the current year and a on rolling four-year basis. The following chart defines the target for each Fund, indicates the 2019 return and the four-year rolling return and states whether the target was met for each.

	2019 Return	2019 CPI + 1% met	Four-Year Rolling Return	Four-Year CPI + 1% met
Fixed Income Fund	6.0%	2.3% + 1% = 3.3% yes	3.3%	1.9% + 1% = 2.9% yes
Growth Fund	23.8%	2.4% + 5% = 7.4% yes	10.2%	2.0% + 5% = 7.0% yes

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

## PERFORMANCE OBJECTIVES AND RESULTS (CONTINUED)

Each manager is evaluated individually against the appropriate benchmark. The results for 2019 of the investment managers at year-end are:

Fixed Income Fund Investments	2019 Fund Return	2019 Benchmark Return	Benchmark Description
PH&N Core Plus Bonds	6.9%	6.9%	FTSE Canada Universe Bond Index
PH&N Mortgage Pension Trust	3.2%	3.1%	FTSE Canada Short Term Bond Index
PH&N High Yield Mortgage	5.9%	3.1%	FTSE Canada Short Term Bond Index
Growth Fund Investments	2019 Fund Return	2019 Benchmark Return	Benchmark Description
PH&N Canadian Equity	20.3%	22.9%	S&P/TSX Capped Index
RBC Global Equity Focus	26.2%	21.9%	MSCI World Index CAD
Baillie Gifford Equity Fund (I)	26.7%	21.9%	MSCI World Index CAD

<sup>1</sup> These funds hold ELCIC Pension Plan assets as of May 1, 2019, 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, 2019:

Fixed Income Fund Investments	Four-Year Rolling Fund Return	Four-Year Rolling Index Return	Minimum Target	Met
PH&N Core Plus Bonds (1)	4.1%	3.1%	Index + 0.25% = 3.35%	Yes
PH&N Mortgage Pension Trust	3.0%	1.5%	Index + 0.4% = 1.9%	Yes
PH&N High Yield Mortgage (2)	n/a	1.5%	Index + 0.4% = 1.9%	n/a

Growth Fund Investments	Four-Year Rolling Fund Return	Four-Year Rolling Index Return	Minimum Target	Met
PH&N Canadian Equity (3)	10.4%	10.3%	Index + 0.5% = 10.8%	No
RBC Global Equity Focus (3)	13.4%	10.0%	Index + 1.0% = 11.0%	Yes
Baillie Gifford Global Equity (4)	12.7%	10.0%	Index + 1.0% = 11.0%	Yes

<sup>1</sup>Inception date of the PH&N Core Plus Bond fund was April 2018. Four-year returns are shown for informational purposes only.

<sup>2</sup>The High Yield Mortgage fund was established on April 1, 2017; therefore 4-year results are not available.

<sup>3</sup>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.

<sup>4</sup>This result is blended with the legacy manager GMO to December 2015 and Allianz to April 2019. Baillie Gifford was appointed effective May 1, 2019.

# Investment Report

## RECAP OF GROWTH FUND MANAGER LINE-UP

If you have been following our quarterly pension newsletters this past couple of years, you will be aware that several new appointments were made. Here is a quick summary of Growth Fund investments at year end.

### RBC Global Equity Focus Fund

Initial investment December 1, 2018 at \$15,000,000

The **RBC Global Equity Focus Fund** is named for its focus on “companies with strong competitive dynamics”. There is typically low turnover of investment because of RBC’s view on long-term ownership for the companies that are selected for this fund.

### Baillie Gifford Global Equity

Initial investment May 1, 2019 at \$15,000,000

The **Baillie Gifford Global Equity Fund** is an actively managed fund that aims to provide superior returns primarily through capital appreciation by investing in a diversified stock portfolio of companies located throughout the world. The fund’s strategy favours companies that can sustain above-average growth in earnings and cash flows, while trading at a reasonable price.

### PH&N Canadian Equity Fund

Initial investment December 1, 2018 at \$20,000,000

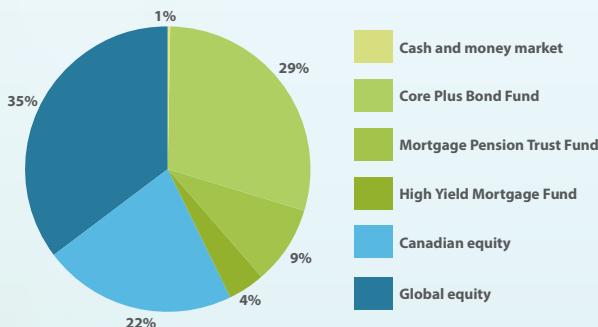
The **PH&N Canadian Equity Fund** is designed to participate well in strong markets and deliver superior resilience in down markets. This is achieved by seeking companies that are attractively valued, which to PH&N means that their share price already reflects most of the risks, but ignores much of the upside opportunity.

# Financial Statements

## Statement of Net Assets Available for Benefits

	Total 2019	Total 2018
	\$	\$
<b>Investments</b>		
Cash and money market	299,410	307,984
Core Plus Bond Fund	26,196,493	28,820,401
Mortgage Pension Trust Fund	8,037,905	8,960,283
High Yield Mortgage Fund	3,798,398	3,787,256
Canadian equity	19,338,432	17,201,569
Global equity	31,400,952	26,595,019
	<u>89,071,590</u>	<u>85,672,512</u>
<b>Pension Contributions Receivable</b>		
Employer	135,012	100,844
Member	118,112	115,299
	<u>253,124</u>	<u>216,143</u>
<b>Other Assets and Liabilities</b>		
	<u>(73,932)</u>	<u>374,576</u>
<b>Net Assets Available for Benefits</b>		
	<u>89,250,782</u>	<u>86,263,231</u>

### 2019 Investments Total



# Financial Statements

## Statement of Changes in Net Assets Available for Benefits

	Total 2019	Total 2018
	\$	\$
<b>Investments</b>		
Employer required	2,210,692	2,229,160
Member required	1,933,769	1,943,770
Member voluntary	55,213	48,937
	<hr/>	<hr/>
	4,199,674	4,221,867
<b>Investment Result</b>		
	12,474,131	6,908,744
<b>Interfund Rebalancing</b>		
	(12,583,452)	(8,235,873)
<b>Account Transfers to Retirement Plans</b>		
	(802,802)	(851,378)
<b>Management Fees</b>		
	<hr/>	<hr/>
<b>Increase in Net Assets</b>		
	<b>3,287,551</b>	<b>2,043,360</b>
	<hr/>	<hr/>

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**

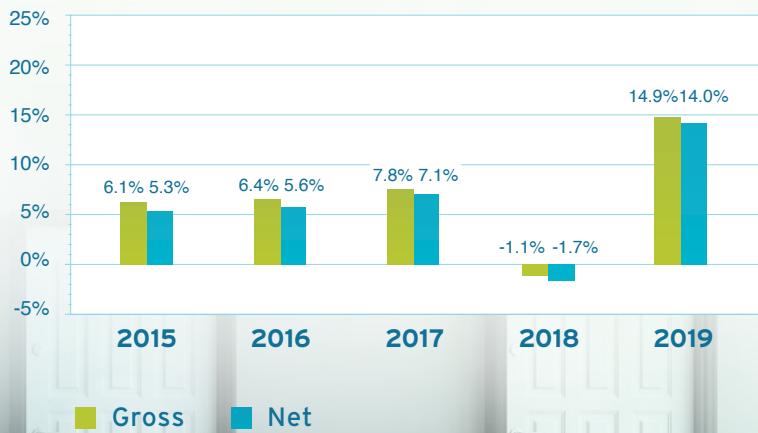
# Statistical Information

## Plan Membership

### Number of Member Accounts

	Active	On Leave	Deferred Retirement	Total 2019	Total 2018
<b>Members, January 1st</b>	521	39	214	774	800
<b>New members</b>	29			29	43
<b>Transitions</b>	(20)	(13)	33	0	
<b>Account transfers to retirement plans</b>	(43)	(3)	(31)	(77)	(66)
<b>Account paid out on death</b>		(1)		(1)	(3)
<b>Members, December 31st</b>	486	23	216	725	774

## Return History



# ELCIC Pension Plan Description

*The following general description of the 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 entities associated with it. It is registered with Canada Revenue Agency and with the Financial Services Regulatory Authority 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 equals 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 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 (continued)

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

## 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. 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 a Locked-In Retirement Account (LIRA), Life Income Fund (LIF), or other registered savings vehicle subject to the Income Tax Act (Canada) 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 those describing the investments and management of the ELCIC Pension Plan. The current year review did not indicate any required changes. The two main policies with the dates when the last amendments were approved are:

- **STATEMENT OF INVESTMENT POLICIES & PROCEDURES APPROVED ON NOVEMBER 1, 2018**
- **TEXT OF THE ELCIC PENSION PLAN APPROVED APRIL 1, IN 2017**

## GSI Board of Directors



### BACK ROW

Mark Johnson, Cath Wilke, Gordon Jensen, Ray Henrickson

### FRONT ROW

Pamela Giles, John Wolff, Vetta Simeonidis

### MISSING

Susan Climo

# Plan Administration

## Board of Directors

Officers	Directors	Chair Position	Term	Expires
President	John Wolff, CPA CMA	Board / Nominating	1 <sup>st</sup>	2021
Vice President	Mark Johnson, CPA CA	Investment	2 <sup>nd</sup>	2021
Secretary	Pamela Giles, PhD	Communications	2 <sup>nd</sup>	2023
Treasurer	Ray Henrickson, CPA CA Cath Wilke, BA	Finance & Audit Benefits	1 <sup>st</sup>	2021
	Gordon Jensen, MDiv, PhD	Governance	1 <sup>st</sup>	2023
	Susan Climo, MDiv		1 <sup>st</sup>	2023
	Vetta Simeonidis		1 <sup>st</sup>	2023

## Staff

Lisa Thiessen, CPA CA	Executive Director
Barb Fortier, BComm (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	
Desjardin / Baillie Gifford	Investment Manager	May 2019	
Eckler	Retirement Consultants	March 2014	
Mercer	Pension Consultants	March 2002	
Mercer Investment	Investment Consultants	October 2003	
MLT Aikin	Legal Counsel	October 1997	
Phillips, Hager & North	Investment Manager	February 2005	
PricewaterhouseCoopers LLP	Auditors	September 2013	
AllianzGI	Investment Manager	December 2015	April 2019

### Back Cover

In 2019 I visited the Sagrada Familia Basilica in Barcelona, Spain. I was very impressed, well with everything, but the design of the door created by Josep M. Subirachs, caught my attention. I share the photo I took. The words say "Give us, o Lord, our daily bread", first in Catalan and then in 49 more languages. -Lisa



gsi  
ELCIC Group Services Inc.

## ELCIC Group Services Inc.

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