

ELCIC Pension Plan Annual Report 2022

"Between every two pines is a doorway to a new world." - John Muir



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President's Message



Warm Greetings!

The numbers in this 2022 Pension Plan Annual Report may not be what had been hoped for as we emerged from the pandemic. However, there is no cause for alarm. As Martin Luther King wrote, **"Even if I knew that tomorrow the world would go to pieces, I would still plant my apple tree."**

Canadian headlines in the last couple of years have reported on the "Great Resignation," describing a trend in which many people willingly **left their jobs** as they rethought their priorities during the pandemic. Within the ELCIC, year over year, **active pension plan membership is down 2%**; while this is not a large number, there has been a **steady decline** in membership over the past decade.

Another pandemic concern arose in March of 2020, when we began bracing ourselves for disappointment with the investment market, and yet **2020 and 2021 had very strong, positive results**. Then **2022 slammed us** with supply shortages, crazy-high inflation, and a war that disrupted lives and elevated energy prices. These converging factors **proved challenging** for both stocks and bonds, which typically are positioned to offset each other, provide diversity, and enhance the overall outcomes. But like the apple tree planted for an unknown future, some years are difficult and will reduce the growth for a season and produce less fruit, but the tree's energy is channeled into **surviving** so it can **thrive** when conditions improve.

The following pages provide information and statistics on **plan membership, financials, and investment returns**. This report complements the quarterly "Your Plan Notes" Pension Newsletter, which is emailed to plan members and archived on the GSI website, and offers detailed commentary on matters as they arise throughout the year.

This past year the Board undertook a **strategic pension review** and provided plan members and ELCIC employers with a **report on pension design alternatives**, outlining various attributes of some of the options. The report was shared in the May 2022 Pension Newsletter. The report concludes, "GSI will continue to consider what is in the **best interest** of plan members and congregations. GSI will **monitor pension outcomes** for its members as it reviews ongoing expenses and policy strategies. As always, **market information, options, and opportunities** will be part of the ongoing knowledge and education that GSI receives."

A list of the dedicated directors who volunteer to govern the pension in a thoughtful manner can be found at the end of the report.

We greatly appreciate our relationships within the ELCIC Community and the pension + investment industry. All these connections and partnerships continue to come together in meaningful ways so GSI can provide the best outcomes for ELCIC plan members. Through these relationships, GSI will continue to add value, provide support, and carry out our mission.



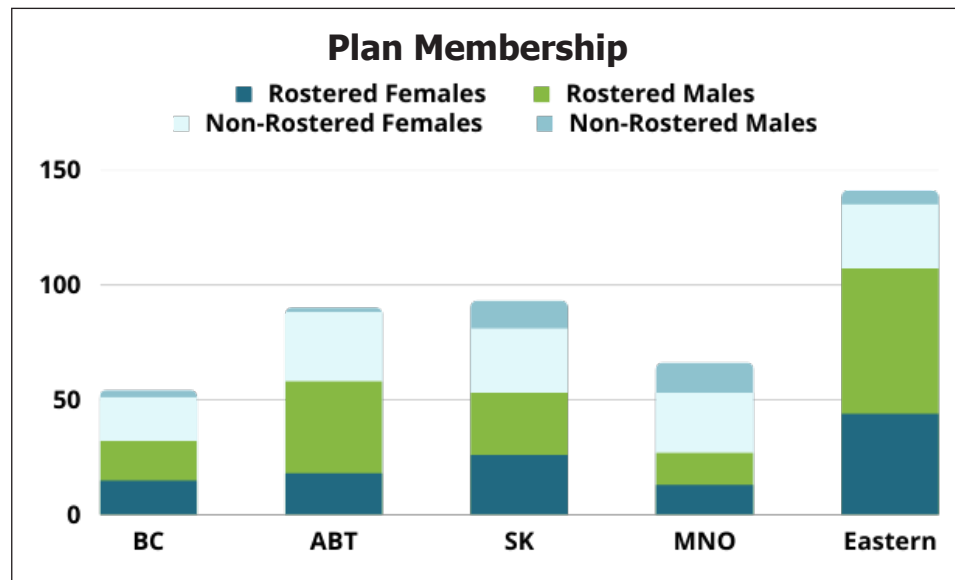
Wishing you all the best of health and financial wellness.

John Wolff
President and Board Chair

Membership Data

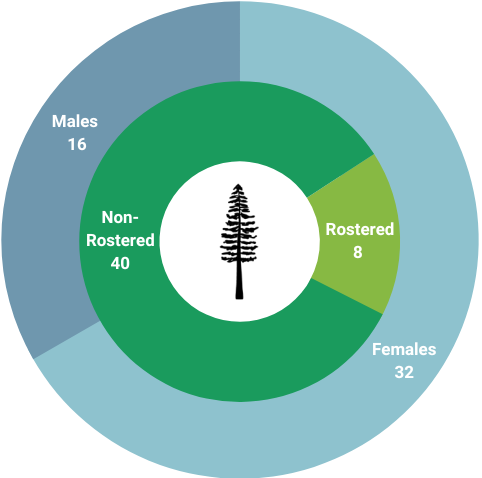


The total **active** (working and contributing) plan membership was **444** at December 31, 2022, down about 2% from a year ago and down 29% since 2012, ten years ago. Here is the membership by Synod with demographic data.



**"In a forest of a hundred thousand trees,
no two leaves are alike.
And no two journeys along the same path are alike."
-Paulo Coelho**

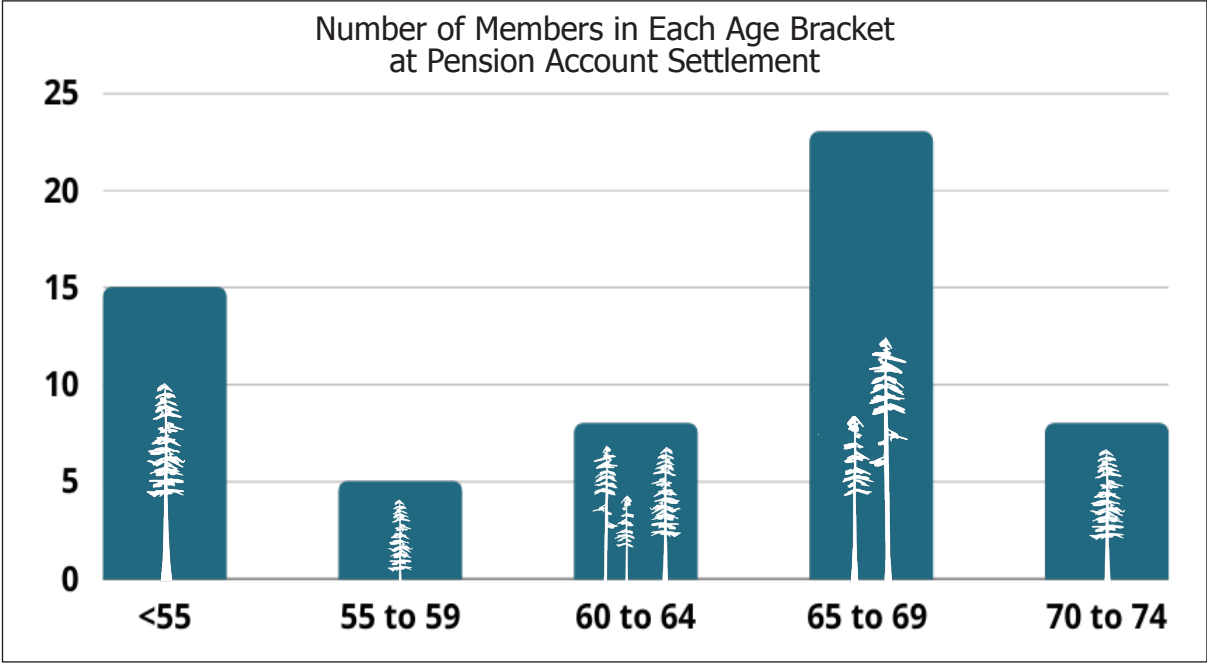
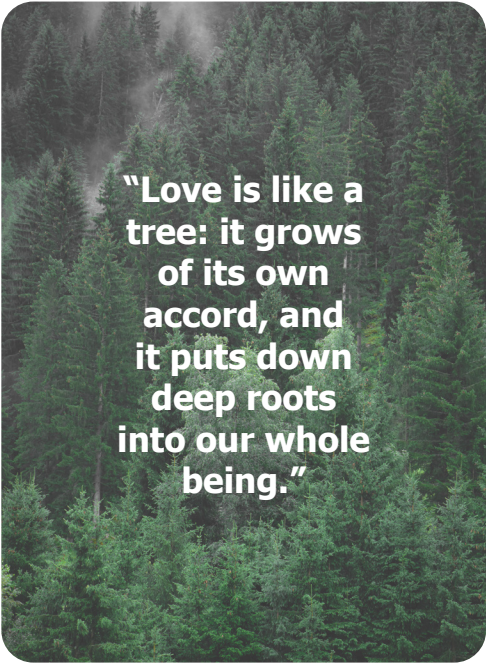
Membership Data



In 2022, **48 new members** joined the plan, which is up slightly from last year's 46 new entrants. The circles show that most new members are non-Rostered and that significantly fewer men compared to women began employment in the ELCIC this past year. This trend is consistent with past years.

There were **58 members** (last year 63) who **settled** their pension accounts during 2022. Most were between the ages of 65 and 69, although 8 continued until the age of 71, when Canada Revenue Agency requires pension income to begin. Most of the members under age 55 who settled their account are **non-rostered** and are likely continuing their careers elsewhere.

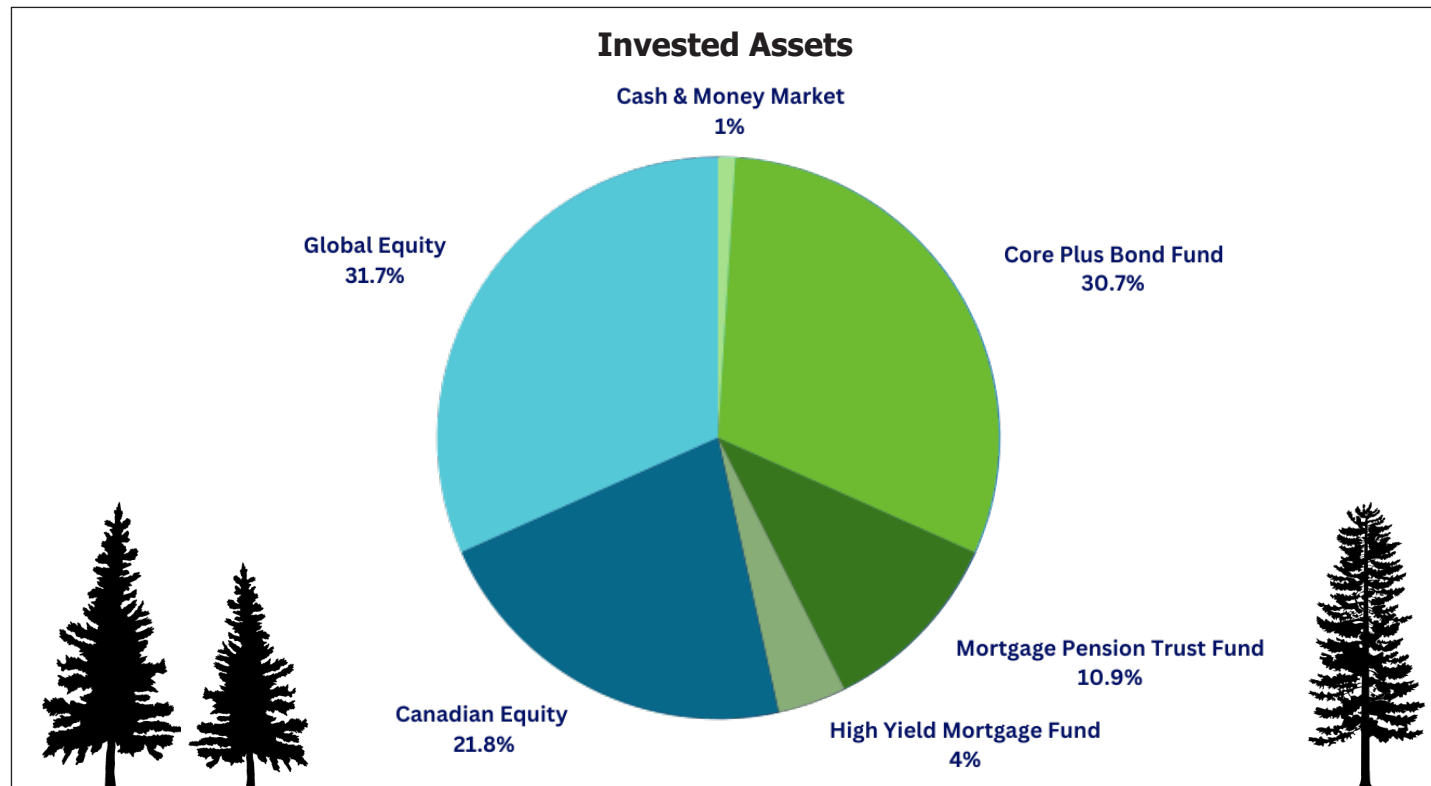
Additionally, one plan member passed away during the year, and that person's pension account was settled to their beneficiaries.



Financial Statements



The ELCIC Pension Plan **assets totaled \$83,153,159** at the end of 2022. This amount represents the sum of all member accounts, which are held in Trust. The chart of Invested Assets shows the **investment structure of the assets** and specifically the **allocation** at December 31, 2022. In this chart, the **green shades represent the Fixed Income Fund**, and the **blue shades make up the Growth Fund**.



The portfolio and fund allocations are set out in the Statement of Investment Policies & Procedures, which is available on the GSI website. The assets are assigned to the Funds based on the allocation by members within the lifecycle arrangement.

Financial Statements



The **Statement of Changes in Net Assets** provides a **summary** of the **cash flow** during the year. Contributions are consistent from year to year, which is expected with the stable membership numbers. The Account Transfers represent the amount of funds that terminating plan members have moved to financial institutions to begin retirement income or to continue to save for a later retirement. This amount can vary over the years depending on the demographics of the members who are transferring funds. The management fees are approximately 80 basis points or 0.8% of assets.

Statement of Changes in Net Assets		
	2022 \$	2021 \$
Contributions	4,029,348	4,188,020
Investment Results	(11,135,982)	10,721,888
Account Transfers to Retirement Plans	(9,520,473)	(13,770,288)
Management Fees	(803,422)	(714,234)
Change in Net Assets	(17,430,529)	425,386



Ray Henrickson
Finance & Audit Committee Chair

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

Investment Results



The overall objective, as established by the Plan Administrator, is to **manage a risk-based asset allocation** that **preserves** and **increases** members' **capital** available at retirement. This objective is supported by investment principles to **achieve financial goals** over time.

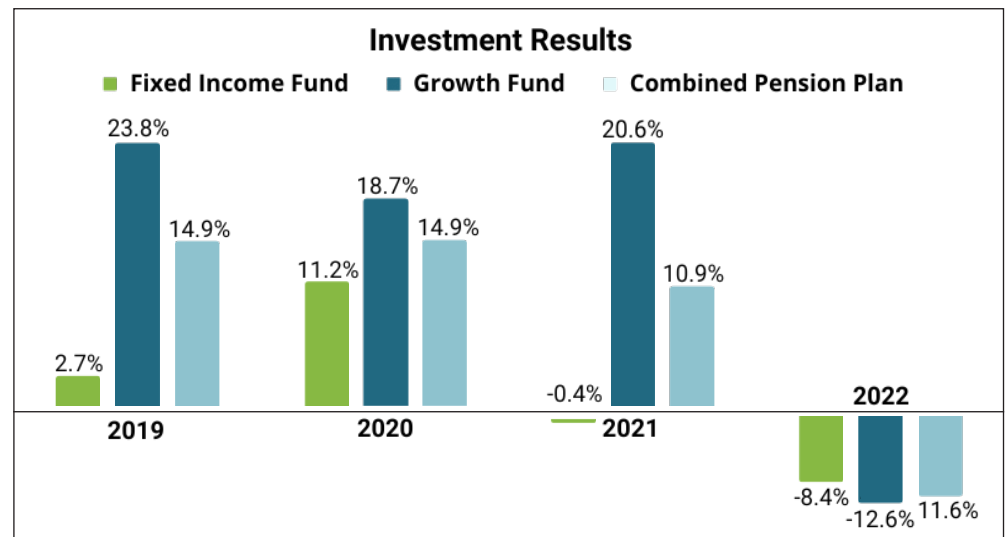
This has been a **difficult year for all markets**, especially in the first half of 2022, when **challenging** factors emerged hot on the pandemic's heels. The Russian invasion of Ukraine is an ongoing **serious situation** that has **significant implications**, foremost as a **humanitarian crisis**, but also affecting the **global economy**. The other major theme of 2022 was **runaway inflation**, unseen in the previous 40 years. The combination and timing of these adverse factors caused the poor investment results. While 2022 was a setback to the overall objective, the GSI Board continues to have **confidence** in the **long-term strategies** and the **positions of the investment portfolios**. Ongoing conversations with the investment managers have reassured the Board. The Board hopes that plan members are also reassured that active management of the portfolio with nimble adjustments to respond to and anticipate market developments will, in time, provide excellent results.

While there are market challenges, our commitment to Responsible Investing is strong as ever. The investment managers continue to ensure that the **portfolio decisions consider the environmental, social and governance factors**.



Wenzel Hoberg
Investment Committee Chair

This bar chart indicates the investment results for the Fixed Income Fund and Growth Fund for the last four years.

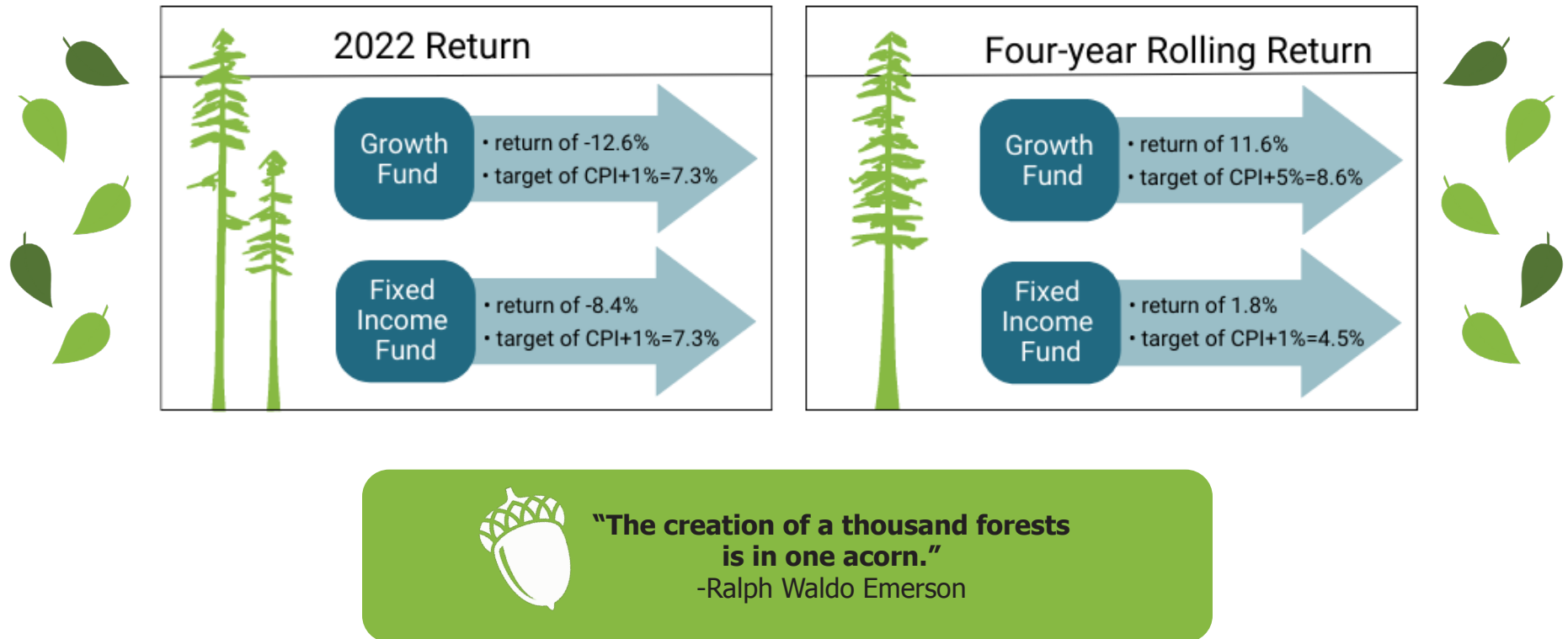


"The care of the Earth is our most ancient and most worthy, and after all, our most pleasing responsibility."
-Wendell Berry

Investment Results



The GSI Board monitors the results quarterly and meets with each portfolio manager at least annually.



The negative return results of 2022 did not, of course, meet the Consumer Price Index (CPI) targets. As **returns can be volatile** and have **significant fluctuations** in short periods, the GSI Board also regularly monitors the results over a four-year rolling period. The **Growth Fund** still **performed admirably** over the last four years against the target of 5% over CPI. The recent historical inflation proved too challenging a target for the Fixed Income Fund to beat.

Investment Results



The following chart shows the **returns** by portfolio **against the target** for both 2022 and the four-year rolling return.



GROWTH FUND	2022 RETURN	2022 BENCHMARK
PH&N Canadian Equity Value	-1.5%	-5.8%
RBC Global Equity Focus	-19.4%	-11.8%
Baillie Gifford Global Equity	-23.6%	-11.8%

FIXED INCOME FUND	2022 RETURN	2022 BENCHMARK
PH&N Core Plus Bonds	-11.2%	-11.7%
PH&N Mortgage Pension Trust	-5.1%	-4.0%
PH&N High Yield Mortgage	4.7%	-4.0%

FOUR-YEAR ROLLING RETURN	FOUR-YEAR ROLLING BENCHMARK	BENCHMARK DESCRIPTION
11.7%	11.2%	S&P/TSX Capped Index
11.1%	10.6%	MSCI World Index CAD
8.8%	10.6%	MSCI World Index CAD

FOUR-YEAR ROLLING RETURN	FOUR-YEAR ROLLING BENCHMARK	BENCHMARK DESCRIPTION
1.4%	0.0%	FTSE Canada Universe Bond Index
1.3%	0.8%	FTSE Canada Short-Term Bond Index
5.6%	0.8%	FTSE Short-Term Bond Index



Growth Fund Portfolio Descriptions

The **PH&N Canadian Equity Value Fund** is designed to participate well in strong markets and deliver superior resilience in down markets. Stocks are selected based on fundamental scenario analysis and continually recalibrated to broadly expose the portfolio to the most attractive risk-adjusted opportunities.

The **RBC Global Equity Focus Pension Trust** consists of investments in high-quality companies growing sustainably. The investment team assesses opportunities based on their competitive dynamics strategy.

The **Baillie Gifford Global Equity Fund** aims to provide superior returns through a diversified portfolio located throughout the world. Their focus is to identify businesses with growth opportunities and strengthen their competitive advantage.

Policy Notes



The ELCIC Pension Plan is a defined contribution plan registered with Canada Revenue Agency and Financial Services Regulatory Authority of Ontario (0533240). The full plan document is available on GSI's website; it describes the strategy for "the accumulation of funds for the ultimate purpose of providing retirement income for eligible Employees at a predictable cost to the participating Employers."

There were no changes to the **ELCIC Pension Plan Text** during 2022.

Contribution Funding Policy: employers 8% of Salary and members 7% of Salary, plus member voluntary contributions.

Account Transfers: members transfer their account to an authorized financial institution when their employment ends. These transfers are subject to regulated locking-in provisions, and all accounts must be settled and transfers completed by the end of the year in which the member reaches age 71.

The **Statement of Investment Policies and Procedures** (SIP&P) is the key document (available on GSI's website) describing how members' assets are invested and how the performance is monitored. In 2022, the policy in section 8.2 was updated with a minor housekeeping matter related to a change in legislation; there was no effect on the current investment strategy or on plan members.

Voluntary Contributions are permitted up to 3% of member Salary. As a plan member, if you have not made voluntary contributions before, it's never too late to start. As the Chinese proverb says, "The best time to plant a tree was 20 years ago. The second-best time is now." Forms to get the process started are on the GSI website, or just call the office today.



Psalm 1:3

He will be like a tree firmly planted by streams of water,
which yields its fruit in its season
and its leaf does not wither;
and in whatever he does, he prospers.



Executive Director's Message



With more than 20 years as GSI's Executive Director, I am sometimes surprised that new and varied experiences continue to arise. The 2022 events in the global markets and post pandemic-restriction economic effects are certainly new, and they have challenged my thinking and approach in the administration and management of the pension plan. It is not easy to relay the news of negative investment returns. But I am reminded that **the investment strategy is well thought out** and researched and that the **long-term goals are solid**.

In years when the returns are negative, people often wonder if they might have to work longer. Something to remember is that **your retirement account continues to work for you even after you stop working**. So, while this year, 2022, was disappointing, it is part of the market cycle that brings better results for the future. When you complete your working career, your retirement account can be transferred to a Life Income Fund, where the assets continue to be invested to provide more funds. Please have a look at the Retirement Planning section on the next page for more information.

I encourage plan members to **think of retirement in a more holistic way**. When is the right time, if you consider health, family, community, home and hobbies, in addition to finances? Until that time comes and through the transition, **the GSI team will continue to provide our very best for you**.

My personal theme for the year is to **"see the beauty"** and so I leave you with this quote: **"I feel a great regard for trees; they represent age and beauty and the miracles of life and growth."** -Louise Dickinson Rich



Lisa Thiessen
Executive Director

Retirement Planning



ELCIC Pension Plan Members can receive retirement counselling with respect to their pension benefits at no additional cost and have the opportunity to participate in the ELCIC Post-Retirement Group Plans, which provide for the legislated retirement income options.

How Eckler can help

Eckler provides independent retirement quotation, counselling and income placement services for members of the ELCIC Pension Plan and their spouses. Eckler has experienced counsellors who can, in simplified terms, explain your options at retirement, including information on your government benefits, RRSPs and taxes.

Your Retirement Income Options

- **Life Annuity:** provides you with a fixed guaranteed retirement income stream for as long as you live (and your spouse's life as well, if applicable).
- **Life Income Fund (LIF) or Registered Retirement Income Fund (RRIF):** contracts that provide a flow of retirement income based on your annual decision of how much to withdraw within the legislated minimum/maximum amounts. The LIF/RRIF provides flexibility in the amount of income you wish to receive; however it may not last a lifetime. LIF is governed by your provincial legislation, whereas RRIF is governed federally.

You may elect to transfer the funds in your ELCIC Pension Plan account to the ELCIC Post-Retirement Group Plan LIF/RRIF contract, where preferential fees have been negotiated. Eckler can assist you by providing information about the investment options available and completing the necessary paperwork. **Please call James Ralko at Eckler toll-free at 1-877-988-1581.**

Advisors & Consultants

Firm	Role	Appointed
CIBC Mellon Trust Company	Custodian	April 1999
CIBC Mellon Trust Company	Trustee	July 2003
Desjardin / Baillie Gifford	Investment Manager	May 2019
Eckler	Retirement Consultants	March 2014
Loudspace	Communication Design	March 2022
Mercer Investment	Investment Consultants	October 2003
MLT Aikins	Legal Counsel	October 1997
Phillips, Hager & North	Investment Manager	February 2005
PricewaterhouseCoopers LLP	Auditors	September 2013

Governance & Management



Left to right: Cath, Ray, Susan, John, Vetta, Wenzel, Pamela, Gordon

Board of Directors

Officer	Directors	Leading Role	Term	Expires
President	John Wolff, CPA CMA	Board / Nominating	2nd	2025
Vice President	Cath Wilke, BA	Benefits	2nd	2025
Secretary	Pamela Giles, PhD	Communications	2nd	2023
Treasurer	Ray Henrickson, CPA CA	Finance & Audit	2nd	2025
	Gordon Jensen, MDiv PhD	Governance	1st	2023
	Susan Climo, MDiv	Plan Member	1st	2023
	Vetta Simeonidis	Plan Member	1st	2023
	Wenzel Hoberg MSc	Investment	1st	2025

The GSI Board governs the ELCIC Pension Plan through assessment, oversight, and various monitoring reports.



Left to right: Alexa, Andrea, Barb, Lisa

Office Team

Lisa Thiessen, CPA CA	Executive Director
Barb Fortier, BComm (Hons)	Pension & Benefits Administrator
Andrea Christensen	Accounting & Office Assistant
Alexa Thiessen, MA-Sep 2023	Accounting & Office Assistant

GSI staff competently handles the daily administration and reporting. They are dedicated to supporting plan members with their financial wellness.



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

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www.elcicgsi.ca



204-984-9181
1-877-352-4247

to April 30, 2023	as of May 1, 2023
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