
Statement of Investment Policies and Procedures

for

The Pension Plan for Clergy and Lay Workers

of the

Evangelical Lutheran Church in Canada

This Statement is intended to describe the current operating procedures, objectives and policies for investing the assets of the above Pension Plan. This Statement will be periodically updated as policies are reviewed and revised, and as necessitated by changes in regulations and practice.

This Statement is revised and effective November 1, 2009.

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Section I Overview and Purpose

1.1 The primary goal of the Pension Plan for Clergy and Lay Workers of the Evangelical Lutheran Church in Canada (the ELCIC Pension Plan) is to provide members with a reasonable retirement income at a predictable cost to the participating employers. The prudent and effective management of the ELCIC Pension Plan's assets will have a direct impact on the achievement of this goal.

1.2 The ELCIC Pension Plan document, as amended from time to time, is registered under the Alberta Employment Pension Plans Act and with Canada Revenue Agency. The ELCIC Pension Plan is a defined contribution plan for eligible clergy and lay employees of the Evangelical Lutheran Church in Canada (Church) and other participating employers.

1.3 The Board of Directors of ELCIC Group Services Inc. (the Administrator) is responsible for the administration of the ELCIC Pension Plan, including establishing and implementing investment objectives and taking necessary actions to achieve the primary goal.

1.4 This Statement of Investment Policy and Objectives (this Statement) is intended to ensure continued prudent and effective management of all the assets of the ELCIC Pension Plan. The Administrator, in conjunction with its external advisors, the ELCIC Pension Plan's emerging experience, and the properly documented wishes of the majority of participating employers and the Church, may modify the Statement as deemed appropriate. It shall be reviewed at least once each year and either confirmed or amended. All amendments to this Statement shall be filed with the appropriate regulatory bodies as required.

1.5 The annual review should take into account any developments in the following:

- a. governance changes;
- b. changing investment environment;
- c. changing risk tolerance;
- d. changes to ELCIC Pension Plan benefits;
- e. changes in membership demographics;
- f. changed expectations for the long-term risk/return trade-offs in the capital markets;
- g. new investment products;
- h. changes to governing legislation; and
- i. any practical issues arising from the application of this Statement.

Section I Overview and Purpose

1.6 This Statement has been prepared in a manner that complies with all legislative and regulatory requirements. It documents the following:

- a. guidelines for the prudent and effective management of the ELCIC Pension Plan including investment objectives;
- b. the parties involved in the ELCIC Pension Plan's financial management and their respective roles and responsibilities;
- c. the parameters under which the investment managers are to operate and communicate with the Administrator; and
- d. how the performance of the investment managers is to be evaluated.

1.7 Certain of the ELCIC Pension Plan's assets are held in the Members' Accumulation Account for the credit of Active and Inactive Members. Each Active Member's contributions plus the matching employer contributions are credited to an individual account for that member. At any point in time, the aggregate individual Member's Account balances equal the market value of the assets in the Members' Accumulation Account.

1.8 The assets of the Member Accumulation Account are held in a Balanced Fund (by default) and / or a Retirement Transition Fund, based on the investment decision made by the member, therefore the investment risk is born by the member.

1.9 The remaining assets of the ELCIC Pension Plan are held in the Retired Benefit Account and are addressed in a separate document.

Section 2

Roles and Responsibilities

2.1 In general, the duty of prudence governs all aspects of fiduciary performance in both the investment and administration of pension plans.

2.2 The Administrator can delegate certain responsibilities and tasks to employees of ELCIC Group Services Inc. who are responsible to ensure that the administration of the ELCIC Pension Plan is carried out efficiently within this mandate.

2.3 The Administrator has retained the following external advisors and service providers:

- a. a trustee and custodian of the ELCIC Pension Plan assets;
- b. investment managers;
- c. a pension consultant/actuary;
- d. a consultant to provide investment performance monitoring; and
- e. an organization to vote proxies.

2.4 The Administrator's responsibilities are to:

- a. fulfill all the legal functions of an Administrator with respect to the ELCIC Pension Plan by establishing a sound strategic direction and operational framework to manage the ELCIC Pension Plan in compliance with contractual, legislative and regulatory requirements as well as ethical standards;
- b. ensure the ELCIC Pension Plan's investments are managed prudently to maximize long-term returns within acceptable risk levels and this Statement;
- c. appoint the required employees, external advisors and service providers, determine and communicate their responsibilities, and then monitor performance and take any necessary corrective actions;
- d. review and approve this Statement annually;
- e. ensure that the investments are managed in accordance with the guidelines set out in this Statement;
- f. review and assess annually the performance of the investment managers relative to their established benchmarks to determine whether corrective actions are deemed necessary;
- g. ensure that all required contributions are made in a timely fashion and ensure that all benefit and expense payments are appropriately authorized; and
- h. review on an ongoing basis the investment results of the ELCIC Pension Plan relative to its objectives, and ensure that the investment income earned is credited/allocated appropriately.

Section 2

Roles and Responsibilities

2.5 The Administrator will, as required:

- a. review the quarterly investment results and monitor the investment managers' compliance with this Statement;
- b. review formally on a regular basis and at least bi-annually the performance of each investment manager's portfolios relative to established benchmarks, and determine if any remedial actions should be taken;
- c. review the investment management structure and styles and whether the ELCIC Pension Plan's current position remains appropriate;
- d. conduct an investment manager search and make a selection based on established criteria;
- e. meet with each investment manager and the pension consultant;
- f. review this Statement at least annually to ensure its continued appropriateness, and approve any required changes; and
- g. review the Statement with respect to voting of proxies and related social or ethical considerations.

2.6 Each investment manager will:

- a. manage the tactical asset mix within approved guidelines and select securities within each asset class, subject to applicable legislation and the constraints and directives set out in this Statement and in any supplementary communication provided by the Administrator, all in accordance with the manager's mandate;
- b. provide the Administrator with a written quarterly report certifying compliance with this Statement, and summarizing the portfolio's asset mix, changes in portfolio holdings, performance analysis, and expectations regarding the upcoming quarter;
- c. at the discretion of the Administrator participate in the review of this Statement;
- d. attend meetings of the Administrator as requested to present reviews and analysis of investment performance, a forecast of future economic conditions, as well as a summary of expectations for future returns on various asset classes and proposed investment strategies to be followed;
- e. explain to the Administrator the characteristics of other asset classes to be considered for investment and how they might assist in the achievement of the ELCIC Pension Plan's objectives;
- f. ensure that all actions taken are in compliance with the Standards of Practice Handbook of the Association for Investment Management and Research (AIMR) as amended from time to time;
- g. provide periodic reports and other statistical information as required; and
- h. inform the Administrator in a timely manner, any element of this Statement that could prevent the attainment of the objectives as well as any significant changes in personnel or asset mix.

Section 2

Roles and Responsibilities

2.7 The trustee and custodian will:

- a. fulfil the regular duties of a trustee and custodian as required by law;
- b. monitor compliance with the any legal investment limits;
- c. provide the Administrator and other authorized parties with accurate and complete accounting, including monthly trust statements of all assets of the ELCIC Pension Plan and transactions during the period;
- d. process the security transactions that result from the buy and sell orders authorized by the investment managers, provided they comply with all applicable legislation; and
- e. receive all contributions to the ELCIC Pension Plan, and make authorized payments from the trust in a timely and efficient manner.

2.8 The pension investment consultant(s) will:

- a. participate upon request in annual reviews of this Statement, including provision of any necessary statistical information in order to confirm or amend this Statement;
- b. participate upon request at discussions about an investment manager's past performance, expectations about future returns on asset classes, and planned investment strategies;
- c. provide support in the form of quantitative and qualitative analysis and ongoing monitoring of each managers' performance relative to the benchmarks and to other investment managers.

2.9 The Executive Director will:

- a. act as liaison between the Administrator and its various advisors and service providers to ensure that each fulfills its duties and responsibilities and that adequate information is available for decision-making;
- b. develop and manage in-house manual and computer systems to administer accurately and efficiently member and employer contributions, pension credits and payments, and other needed records and data;
- c. recommend if certain of these services should be obtained more cost-effectively through the hiring of external providers.

2.10 Proxy voting consulting organization will:

- a. provide analysis and recommendations for proxy voting based on the organization's current Socially Responsible Investment Proxy Voting Guidelines; and
- b. vote proxies as directed by the designate of the Administrator.

Section 2

Roles and Responsibilities

2.11 Standard of Care:

In exercising their responsibilities, the Administrator, its Directors and employees, and its appointed advisors must adhere to the following guidelines:

- a. in the discharge of their duties and the exercise of their powers, whether the duty or power is created by law or the trust instrument, they shall exercise that degree of care, diligence and skill that a person of ordinary prudence would exercise in dealing with the property of another person; and
- b. without limiting the generality of the above, persons who possess, or because of their profession, business or calling, ought to possess, a particular level of knowledge or skill relevant to their responsibilities to the ELCIC Pension Plan, shall employ that particular level of knowledge or skill in the administration of the ELCIC Pension Plan.

Section 3

Investment Objectives

Balanced Fund

3.1 The Balanced Fund assets will be managed on a prudent long-term going-concern basis. The basic objective is to achieve the highest rate of return which will not expose the assets in the Balanced Fund to undue market risk. More specifically, the objective is defined as a long-term real rate of return of at least 4%, (i.e. exceeding the rate of increase in the Consumer Price Index by at least 4% per annum) when averaged over any four year period. Although this objective may not be attained every year, it is important that it be achieved when averaged over any four year time period, especially given the impact of more volatile results on members having to retire at a certain point in time.

Retirement Transition Fund

3.2 The Retirement Transition Fund assets will be invested with the objective of a modest return with minimal volatility.

Section 4

Benchmark Portfolio

4.1 A Benchmark Portfolio is intended to define a model portfolio which should permit achievement of its objectives with an acceptable level of risk, as well as providing a benchmark rate of return for the evaluation of investment managers' performance.

Balanced Fund

4.2.1 Effective November 1, 2008, the Benchmark Portfolio for the Balanced Fund is:

Asset Class	Percentage of Mix	Proxy
Cash & Short Term	2%	DEX 91 day T-Bill Index
Fixed Income	33%	DEX Universe Bond Index
Canadian Equities	30%	S&P/TSX Composite Capped Index
Global Equities	35%	MSCI World Index in \$CDN
Total	100%	

The Balanced Fund will be actively managed by investment managers therefore its asset mix may deviate from the above benchmark mix as certain classes outperform others. The asset mix may vary due to the timing of cash requirements.

4.2.2 Historical investment returns indicate that a portfolio invested in the above asset mix, held constant over a ten year period with quarterly rebalancing, can be expected to achieve the above investment objectives at an acceptable level of investment risk.

4.2.3 The Balanced Fund is being actively managed by various managers, and therefore its asset mix will deviate from the above benchmark mix as certain classes outperform others. The asset mix may also deviate due to the timing of cash requirements.

Retirement Transition Fund

4.3.1 Effective January 1, 2010, the Benchmark Portfolio for the Retirement Transition Fund is:

Asset Class	Percentage of Mix	Proxy
Money Market	50%	Scotia Capital 30-day T-bill Index
Short Term Bond and Mortgage	50%	DEX Short-Term Bond Index
Total	100%	

Section 5

Investment Beliefs

Balanced Fund

5.1 The Administrator believes that:

- a. it is prudent to diversify the Balanced Fund assets across major asset classes;
- b. equity investments will provide greater long-term returns than fixed-income investments, although with greater short-term volatility;
- c. an investment manager, selected based on strengths demonstrated in a certain asset class, can potentially add value through a focused mandate;
- d. investment managers with an active mandate can add value through security selection techniques and thereby reduce risk relative to the market;
- e. foreign equities provide potential for enhanced returns relative to Canadian equities by increasing portfolio diversification.

Retirement Transition Fund

5.2 The Administrator believes that:

- a. the intention of the investment strategy should be to minimize the impact of asset returns and interest rate volatility for members approaching retirement; hence
- b. the assets should be invested solely in money market and short term fixed income funds.

Section 6

Investment Manager Structure

Balanced Fund

6.1.1 The Administrator has divided the Balanced Fund's Canadian equity investments in half, with the intention of maintaining an approximately equal split between two managers having complementary "growth" and "value" styles of equity investing.

6.1.2 Each of the other asset classes is assigned to a single investment manager.

Retirement Transition Fund

6.2.1 For the Retirement Transition Fund, there will be a single investment manager with strengths in fixed income investments.

Section 7

Investment Manager Mandates

Balanced Fund

7.1.1 Each of the asset classes in the Balanced Fund is actively managed. The managers, subject to the constraints outlined in this Statement, will employ full discretion in the determination of security selection in order to add value to the returns that would be earned by proxy in section 4.

7.1.2 Investments will be segregated where possible or prudent for the sole participation of the ELCIC Pension Plan, otherwise units of a pooled fund may be used. If invested in a pooled fund, the assets so invested will be subject to the pooled fund's Statement of Policies and Objectives where and to the extent it differs or conflicts with this Statement. A copy of the Statement of Investment Policies and Procedures for each such pooled fund will be provided to the Administrator, along with any changes made from time to time.

Retirement Transition Fund

7.2.1 The mandate of the manager of the Retirement Transition Account is to maintain low risk, non-volatile investments.

Section 8

Evaluation of Investment Management Performance

8.1 The performance of each investment manager's portfolio(s) shall be reviewed quarterly to determine the contribution made relative to the Benchmark portfolio. Each manager will prepare a quarterly report with calculations of the time-weighted rate of return earned by its portfolios and the component asset classes, and present the results in accordance with the presentation standards of the Association for Investment Management and Research. A performance monitoring report shall also be prepared by an external consultant who will determine the rate of return for each manager and each fund (Balanced or Retirement Transition) as a whole.

8.2 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 for Bonds by 30 bps, for Canadian Equities by 150 bps, and for Global Equities by 150 bps.

8.3 The evaluations will also include the following qualitative standards:

- a. adherence to this Statement including responsibilities (Section 2) and constraints (Sections 10 and 11);
- b. adherence to the investment style and decision-making process for which the manager was hired;
- c. changes in a manager's firm including ownership, organizational structure and key investment personnel;
- d. adequacy of service and quality of responses to questions and requests.

8.4 As a secondary measure of quantitative performance, a manager's results may also be assessed relative to those of other investment managers investing the assets of comparable funds or portfolios with comparable objectives.

Section 9

Asset Mix Policy

The percentage asset class allocations must be within the following minimum and maximum limits.

9.1.1 *Balanced Fund*

Asset Class	Min (%)	Target (%)	Max (%)
Cash and Short Term	0	2	5
Bonds	28	33	38
Canadian Equities	25	30	35
Global	30	35	40

9.1.2 Upon the quarterly review of the asset holdings, if an asset class has reached or exceeded the maximum stated above, the assets in that class will be reduced to the mid point between the target and the maximum and those dollar amounts will be redirected to the asset class (or combination of classes) with the greatest target deficiency. The Administrator will be responsible for such rebalancing.

Section 10

Investment Constraints

10.1 Permissible investment categories:

Each investment manager will be expected to diversify its investments by type of security, industry, maturity date and company, to minimize the risk of large losses, unless prevailing circumstances suggest diversification would be imprudent. The assets of the ELCIC Pension Plan may be invested in any of the following investment categories, subject to the limits specified by the regulatory agencies, and in accordance with the guidelines outlined in this Statement. Such investments shall normally be made through the direct purchase of securities, but may be made indirectly through pooled funds with the prior permission of the Administrator. An investment not specifically permitted by this Statement shall not be made until the written permission of the Administrator is obtained. Once written permission has been obtained, this Statement will be updated with the new or revised asset class.

- a. Cash and equivalents: cash on hand, demand deposits, treasury bills issues by federal or provincial governments including their agencies, commercial paper, short-term notes, bankers' acceptances, term deposits and guaranteed investment certificates of less than or equal to a one year term.
- b. Fixed income: bonds, debentures, or other debt instruments of governments, government agencies, or guaranteed by governments, or corporations, notes, mortgage-backed securities, and asset-backed securities of greater than one year.
- c. Equity: common and preferred shares, warrants, rights, income trust units, and securities convertible into common shares traded on the major recognized global stock exchanges.
- d. Real estate and mortgages: investment in real estate and mortgages will only be made through pooled fund units which must be redeemable.

10.2 Limitations and restrictions:

10.2.1 Each manager is to manage its portfolio in accordance with all applicable legislation and regulations including the Pension Benefits Standard Act of Canada, the Alberta Employment Pensions Plan Act, and the Income Tax Act of Canada. All investments must be in accordance with any constraints that may be imposed by the Administrator. In addition, no investments in foreign property shall be made so as to cause the ELCIC Pension Plan to be liable for penalty taxes under the Income Tax Act, Canada.

10.2.2 All investments will be made in accordance with the Code of Ethics and the Standards of Professional Conduct of the Association of Investment Management and Research. These standards require that investment managers, when taking an investment action for a specific portfolio or client, consider its appropriateness and suitability for that portfolio.

Section 10

Investment Constraints

10.3 Cash, cash equivalents and fixed income investments:

10.3.1 The investments in the securities of one issuer will not be more than 5% of the total market value of the portfolio unless the issue is guaranteed by the Government of Canada or one of the provinces of Canada with a minimum A rating, or for companies rated AA or higher where the limit will be 8% of the total.

10.3.2 Quality Constraints:

A manager may invest in the permitted investment categories listed in this Statement subject to the following quality constraints:

- a. The purchase of cash equivalents issued by corporations and financial institutions is generally restricted to those which have a minimum rating of A1 or R1 by a recognized rating agency, or the equivalent at the time of purchase. An investment in a lower rated security shall only be made after advising the Administrator of the rationale for making the investment;
- b. The purchase of fixed income instruments is generally restricted to those which have a minimum rating of A or equivalent at the time of purchase, except that up to 20% of the fixed income portfolio may be held in BBB rated securities. In case of a split rating the weaker of the ratings will apply;
- c. Investments in non-Canadian cash equivalents and fixed income securities will be restricted to securities which meet local rating service criteria equivalent to those for similar Canadian securities.

10.3.3 If an investment meets the above quality requirements at the time of investment but is downgraded at a subsequent date, the decrease in the rating below the above requirements should not result in the automatic or immediate sale of the security unless in the judgement of the manager the investment is no longer of sound quality.

10.4 Equity:

10.4.1 Investment constraints related to equities are as follows:

- a. The market value of any single equity investment as a percentage of the total market value of all equity investments held shall not exceed the lesser of:
 - i) S&P/TSX Composite Capped Index weight plus 5%, and
 - ii) 10%.
- b. The ELCIC Pension Plan shall not own more than 30% of the voting shares of any one corporation.
- c. The proportion of the total market value of the Canadian equity portfolio invested by a manager shall not exceed 40% in the case of the financials sector and shall not exceed 35% in the case of the energy sector.

Section 10

Investment Constraints

- d. For the remaining sectors, the proportion of the total market value of the Canadian equity portfolio invested in a single sector of the S&P/TSX Composite Capped Index shall be the lesser of three times that sector's Index weight or 25%.
- e. In order to achieve a reasonable degree of diversification, there should be at least 20 equity holdings in an equity portfolio, and should be dispersed among at least six of the 10 sectors.
- f. For foreign equities, an investment in the shares of any single company should not exceed 5% of the market value of all foreign equities held, and no more than 10% of foreign equities may be held in companies from developing countries (defined as other than OECD countries plus Hong Kong).

10.5 Other restrictions are as follows:

- a. No writing of options on securities held, no short selling, and no investing in commodities or commodities futures contracts.
- b. No investing in assets which are not readily marketable.
- c. No entering into a commission recapture or directed commission program except as approved by the Administrator in a documented soft dollar policy statement.
- d. No securities shall be purchased through other than normal public market facilities, unless the purchase price approximates the prevailing market price and is negotiated on an arm's length basis.

10.6 Investments outside of prescribed limits:

10.6.1 It is recognized that the above limits are guidelines which should generally be adhered to, but should the performance of certain sections of the equity market or the investment markets in general be such that they cause the above limits to be violated, the managers must manage the assets to ensure maximum benefit to the beneficiaries of the ELCIC Pension Plan.

10.6.2 If any occasion should arise where an investment or group of investments does not conform with the limitations stipulated in this Statement, the manager in consultation with the Administrator shall exercise its best judgement concerning the action required to correct the situation. If it is apparent that the situation can be corrected within a short period of time through the allocation of cash flow, the manager may elect not to liquidate the temporarily non-conforming investments. Irrespective of the above, the Administrator must be informed in a timely fashion of any deviations from the above guidelines and the actions that are being taken by the manager.

Section 10

Investment Constraints

10.7 Liquidity requirements:

The Executive Director will inform the investment managers about any ongoing cash requirements, as well as any changes or unusual needs.

10.8 Socially responsible investing:

10.8.1 The Administrator has a fiduciary responsibility to all ELCIC Pension Plan stakeholders to strive for superior investment performance by hiring professional investment managers, with institutional investing expertise charged with meeting broadly defined objectives. Nevertheless, investments in certain companies may be determined to be inappropriate on the basis of

- a. ethical considerations that are believed to be supported by most members; and
- b. an expectation that excluding such investments should not reduce the ELCIC Pension Plan's longer run rate of return.

The portfolio will be reviewed periodically to identify any such inappropriate investments that are held directly by the ELCIC Pension Plan (as opposed to through pooled funds) and the portfolio managers will be instructed to divest these investments in a prudent yet expeditious manner.

10.8.2 If requested by the Administrator, the managers must be willing to sell any of the investments (not held in a pooled fund) viewed by the Administrator to be unethical or inappropriate investments for the ELCIC Pension Plan. If such a request were made, a manager would be given a chance to defend the holding of the investment. If, after discussion, the Administrator still feels that the assets should be sold, the manager must agree to comply with this wish within 90 days of the original notice.

Section 11

Reporting Requirements

11.1 Each manager must meet with the Administrator on a regular basis and at least bi-annually, and in all cases must provide a written report to the Administrator quarterly. The meeting and report should identify:

- a. the investment objectives;
- b. the market performance of each asset class;
- c. a brief review of the current portfolio structure;
- d. the rates of return obtained and the sources of added value over the past period;
- e. the economic outlook and factors which could alter that outlook;
- f. the manager's evaluation of current asset mix (where applicable);
- g. the anticipated portfolio structure for the upcoming period; and
- h. the expected return on the anticipated portfolio over the next 6 to 12 months.

11.2 Any areas of concern or suggested changes in this Statement must be communicated in writing to the Administrator prior to the meeting, if possible.

11.3 Any changes in "key" personnel, investment management philosophy, style or approach must be communicated, in writing, to the Administrator as soon as possible.

11.4 At least annually a report is prepared by the consultant on the performance of each manager and discussed by the Administrator in accordance with this Statement.

Section 12

Conflict of Interest Policy, Disclosure Procedures and Related Party Transactions

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Parties Governed by these Guidelines:

12.1 These guidelines apply to:

- a. the Administrator;
- b. any senior employee of the Administrator who has direct involvement with the ELCIC Pension Plan and its operation;
- c. investment managers;
- d. custodian;
- e. pension consultant;
- f. any employee or agent retained by those parties listed above who provide services to the ELCIC Pension Plan.

Conflict of Interest:

12.2.1 Any party listed above must disclose any direct or indirect association, material interest, or involvement in aspects related to their role with regard to the ELCIC Pension Plan investments that would result in any potential, actual or perceived conflict of interest. The Conflict of Interest Policy and Guidelines established by the Administrator provides a framework for this purpose.

12.2.2 Without limiting the generality of the above, a conflict of interest arises when one of the parties governed by this Statement receives a direct or indirect benefit on account of any transaction made on behalf of the ELCIC Pension Plan, or a benefit from any actual or proposed contracts with the issuer of any securities which are or may be included in the assets held by the ELCIC Pension Plan, or if the individual is a member of the board of directors of any corporation or has significant holdings in the securities issued by any corporation. The best interest of the ELCIC Pension Plan beneficiaries is the primary consideration in resolving all such conflicts.

Disclosure Procedures:

12.3 Any party listed above who is confronted with a conflict of interest must disclose the nature and extent of the conflict to the Administrator in writing, or request to have entered in the minutes of the meeting of the Administrator at the earliest of:

- a. first becoming aware of the conflict;
- b. the first meeting in which the matter in issue is discussed
- c. the first meeting in which the person knows or ought to have known that the party had an interest in the matter that required disclosure.

For the purposes of a) above, the disclosure must be made verbally if knowledge of the conflict arises in the course of a discussion at a meeting.

Section 12

Conflict of Interest Policy, Disclosure Procedures and Related Party Transactions

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12.4 If the person disclosing the conflict does not have voting power on decisions affecting the ELCIC Pension Plan, that person may elect not to participate in the activities related to the issues in conflict, or may continue their activities with the approval of the Administrator.

12.5 If the person disclosing the conflict does have voting power, that person may continue in their activities with respect to the issue in conflict only with the approval of the other participants with voting rights. In this situation the person may elect not to participate with respect to the issue in conflict. The notification made may be considered a continuing disclosure on the issue, subject to any future notification, for the purpose of obligations outlined by these guidelines.

12.6 Related Party Transactions:

12.6.1 The Administrator may not, directly or indirectly, enter into any transactions with a party related to the ELCIC Pension Plan, as defined in the Regulation of Pension Benefits Standards Act, on behalf of the ELCIC Pension Plan, including the lending of the ELCIC Pension Plan's moneys to the related party and the investment of the ELCIC Pension Plan's moneys in the securities of the related party.

12.6.2 Transactions with a related party on behalf of the ELCIC Pension Plan are permitted if the transaction is required for the operation or administration of the ELCIC Pension Plan and the terms and conditions of the transaction are not less favourable than current market terms and conditions.

Section 13
Lending of Securities

13.1 An investment manager may enter into securities loan agreements providing the ELCIC Pension Plan's shares in the proceeds of the loan agreements and the loaned investments are secured by cash or highly liquid investments having a market value of at least 105% of the loan, and that this 105% level of security is marked-to-market and maintained in a manner consistent with relevant pension regulations or general investment practice. A previously negotiated arrangement/agreement with the manager and custodian will be required including suitable fee splitting and collateral management arrangements as well as periodic reporting of income and positions out on loan.

Section 14
Delegation of Voting Rights

14.1 The Administrator will retain responsibility for exercising all voting rights acquired through the investments of the portfolios.

14.2 The Administrator will exercise voting rights with the intent of fulfilling the investment policies and objectives of the ELCIC Pension Plan and pursuant to the “Procedures for Exercising Social Responsibility” which is attached to this Statement. The Administrator may engage a proxy voting services firm to assist it in the task of voting rights.

14.3 The Administrator will review a report of the results of all proxy voting annually.

Section 15

Valuation of Investments

15.1 The Administrator expects that all securities held by the ELCIC Pension Plan will have an active market and therefore valuation of the securities held by the ELCIC Pension Plan will be based on their market values.

15.2 An investment manager will notify the Administrator if the market for any investment held in the portfolio it manages becomes inactive, and provide the Administrator with the method it intends to use for valuing the affected investment.

15.3 The custodian is responsible to obtain the appropriate market values of all investments including those that are not regularly traded. Units held in a mortgage or real estate pooled fund will be valued according to the ELCIC Pension Plan's stated policy. Securities that are not regularly traded shall be valued at a price deemed to represent, in the opinion of the custodian, the market value of the investment. These non-traded investments shall be valued periodically, but in any event not less frequently than once a year by qualified independent professionals. It is anticipated that the market value placed on a security by the custodian will be consistent with the market values placed on that security by the manager. If there is a difference between the two, the custodian's market value will be used unless the manager can show just cause for changing the custodian's method of obtaining the market value and the procedure is acceptable by the custodian. Any substantial differences in market value should be brought to the attention of the Administrator. Every effort should be made by the manager and the custodian to coordinate the financial reporting of information.

Section 16

Retired Benefit Account - RBA

Historical and Background Information

The Retired Benefit Account (RBA) is maintained to provide pension benefits to those members who retired prior to July 1, 2003 and who chose to receive an annuity from the ELCIC Pension Plan. The ELCIC Pension Plan chose to self-fund these annuities. The ELCIC Pension Plan ceased offering annuities on July 1, 2003. Members retiring on or after that date were free to enter into annuity contracts with any third party they chose.

An actuarial valuation was carried out periodically to determine the ELCIC Pension Plan's required reserve to meet the annuity commitments made to pre-July 1, 2003 retired members. The December 31, 2003 actuarial valuation indicated a significant unfunded liability. The subsequent approved funding plan requires each participating employer to contribute a supplemental contribution that is allocated to the RBA until there is enough money to meet our annuity obligations. At that time the remaining annuity commitments will be transferred to a third party, in order to eliminate the possibility of future unfunded liabilities.

During 2009 the investments held in the RBA were liquidated and the cash was used to purchase from Sun Life an annuity large enough to settle over 90% of the ELCIC Pension Plan's annuity obligations to the retired members. The participating employers will continue to submit the supplemental contributions until the RBA is fully funded and until that time the ELCIC Pension Plan is responsible for managing the supplemental contributions. Once the RBA is fully funded the remaining assets will be liquidated and used to purchase from a third party an annuity so that 100% of the annuity payments will be paid directly to the former ELCIC retired members by Sun Life and the third party. The RBA portion of the plan will be wound up at that time.

Investment Objective and Strategy

Supplemental contributions will be used to fund the balance of the monthly annuity payments (i.e. the approximately 10% portion that is not being paid by Sun Life) and the contribution amount in excess of the current requirement will be set aside for the eventual cash transfer (or series of transfers) to bring the third party annuity payment to 100%.

The objective will be to achieve the best investment return available while maintaining a strict capital preservation requirement.

Section 16
Retired Benefit Account - RBA

Investment Beliefs

The Administrator believes that:

- a. equity investments are too volatile to achieve the investment objectives of the RBA;
- b. the assets should be invested in a money market or short term fixed income portfolio to provide steady income, relatively high yields and stability;
- c. some interest rate risk and credit risk needs to be taken in order to earn any investment income.

Investment Manager Structure

There will be a single manager to invest the assets of the RBA due to size of the asset pool.

Asset Mix and Benchmark Portfolio

Effective July 1, 2009, the Benchmark Portfolio for the Retired Benefit Account is:

Asset Class	Percentage of Mix	Proxy
Money Market	50%	Scotia Capital 30-day T-bill Index
Short Term Bond and Mortgage	50%	DEX Short-Term Bond Index
Total	100%	

Exhibit One ***Procedures for Exercising Social Responsibility***

As it is possible for the pension and group benefit plans of the Evangelical Lutheran Church in Canada, administered by ELCIC Group Services Inc. (GSI), to encourage corporate social responsibility by the exercise of shareholder rights, the Board of Directors of GSI (“Administrator”) will have the sole authority to exercise the shareholders rights on shares held in the ELCIC Pension Plan.

Identifying an Issue

A potential issue may be brought to the attention of the Administrator by the Evangelical Lutheran Church in Canada in convention or by the ELCIC National Church Council.

Once an issue has been identified and researched by the Administrator, it will evaluate the information and determine an appropriate course of action.

Courses of Action

- 1) A letter may be sent to the corporation, seeking particular information or expressing our concerns and/or position.
- 2) The Administrator may request or participate in a meeting with the management of a corporation. The purpose of this meeting would be to seek information and express our concerns and/or position.
- 3) The Administrator may choose to exercise its voting rights on the shares in any corporation. The Administrator may:
 - a) appoint a representative who shall vote the shares in accordance with the directions of the Administrator.
 - b) assign our proxy to another group or agency to vote on our behalf. This permission would normally be for the period of one year and renewable at the discretion of the Administrator.
- 4) The Administrator may sponsor/co-sponsor a shareholder resolution at a shareholder meeting.
- 5) In the event that a corporation will not alter its practices or policies and the Administrator considers such practices or policies inappropriate for ELCIC Pension Plan, the Administrator may divest the ELCIC Pension Plan of its investment in that corporation.
- 6) In the event of any of the above, the Administrator will also advise the National Church Council of the ELCIC, in the spirit of good communication, so that they are formally apprised of the action taken.