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## GSI Pension Plan News - Summer 2015

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An informational bulletin for members of the ELCIC Pension Plan



### Investment Commentary - January to June 2015

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#### Member Pension Statements

Pension Statements for the six months ending June 30, 2015 were mailed a few weeks ago. Please contact GSI immediately if you did not receive your statement. Review the information on your statement carefully and notify GSI of any errors in your personal information.



Keep this statement in your files and use it to track your savings and to plan for retirement.

## Investment Results

The second quarter brought in negative investment results, but not enough to wipe out first quarter earnings. The first six months of 2015 stand at a return for the ELCIC Pension Plan at 5.2% (before expenses) when combining the results of the Fixed Income Fund and the Growth Fund.

The Growth Fund – Canadian equity portion

*Jarislowsky Fraser* (JF) portfolio continued their underperformance in the second quarter. The first six months of 2015 returned -1.4%, compared to the benchmark for Canadian equity at 0.9% year to date.

This quarter, JF added Alimentation Couche-Tard Inc., a leading global convenience store operator, to the portfolio and exited the small remaining position in Bonavista Energy Corp.

*Manulife Asset Management* (MAM) earned 5.9% for the first six months of 2015 and earned a first quartile ranking. The healthcare sector was the top performing index sector on the Canadian stock exchange driven by strong earnings from Valenant Pharmaceuticals International Inc, a top holding in the MAM portfolio.

The Growth Fund – Global equity portion

*GMO* earned 12.2 to the end of June this year, just outperforming the index of 11.0%.

The Fixed Income Fund

*Phillips, Hager & North* (PH&N) provided the Fixed Income Fund with a return of 2.5% for the first six months of 2015 and continues to be ranked in the first quartile for performance. PH&N again cites provincial and corporate credit strategies as the main source of value added, despite corporate credit spreads continuing to move wider. During the quarter PH&N decreased the fund's exposure to provincial and government agency bonds as part of an active reduction of overall credit exposures. However, within the provincial bonds segment an overweight to Ontario relative to the other provinces contributed positively as Ontario was the best performer among the provinces.

Please go to the [investment page](#) on the website for more details on returns, performance and the top 10 stock or bond holdings of each manager,

## Do Fees Make a Difference?

### *Market Rates*

A 2013 Morningstar report ranks Canada's mutual fund fees as the highest in the world. The fees or management expense ratios (MERs) range between 2% to 3%. Most of the fee covers the investment management and operating expenses for the funds while about 0.75% to 1% goes to the advisor in exchange for ongoing service (this part of the MER is a "trailer" or "trailer commission"). Larger account balances may get you a discount of 0.5% to 0.75%.

### *ELCIC Pension Plan*

As an employee of the ELCIC, you are a contributing plan member to the ELCIC Pension Plan. During this accumulation phase the fees in your pension account are less than 1%. When you terminate your service or retire the pension account must be transferred to a financial institution or life insurance company to begin the drawdown phase and create a retirement income for yourself. ELCIC Group Services Inc has set up group plans at each of the life insurance companies as an option for you to consider.

### *External ELCIC Retirement Group Plan*

The investment fees under the ELCIC Retirement Group Plan (at the life insurance companies – sponsored by but not administered by GSI) range from around 1.1% to 1.6% for the majority of the funds that are available to you, the plan member. These funds would include various options: Balance Funds, Bond Funds, Equity Funds and even Asset Allocation Funds. Having a lower investment fee could save thousands of dollars over a retirement of 20 or 25 years.

### *An Example*

If your account balance is \$200,000 you could save over \$26,000 over 25 years if you could lower your investment fee by 0.5% assuming you could net an annual investment return of 4% with the lower investment fee. Due

to compounding, this savings increases to over \$47,000 if you could save 0.5% on the investment fee and you earn a net investment return of 5% per annum over 25 years (that is almost ¼ of your account when you begin retirement). Of course if you can save more than 0.5% on the investment fees you will save even more.

If you would like to learn more please contact the GSI office or check the website under the [Planning For Retirement](#) page.

**GSI administers pension and benefits plans that enhance the well-being of employees who serve in the ELCIC and its affiliates.**



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