

Annual Report 2015

PENSION PLAN FOR CLERGY
& LAY WORKERS OF THE EVANGELICAL
LUTHERAN CHURCH IN CANADA



Administered by:



President's & Executive Director's Message

PERFORMANCE

The first question members ask when they see me is “how did the pension plan do this year?” and they hold their breath and hope to hear me report that the investment returns were positive and possibly terrific.

The answer to the first question is “it did well”. The ELCIC Pension Plan earned 6.1% before expenses, 5.3% on a net basis in 2015. Is this terrific? While not double digit, three of the four investment managers outperformed their peers and the benchmark criteria that was set for them in the Pension Plan's investment policy.

More details on the results breakdown for the Fixed Income Fund and the Growth Fund, the performance measures and investment manager comments can be found on pages 5 and 6.

NEW INVESTMENT MANAGER!

The GSI Board is pleased to announce the appointment of AllianzGI as the new Global Equity Investment Manager. At the end of 2015, the ELCIC Pension Plan divested its funds from the GMO Developed World Stock Fund and the GMO Global Equity Allocation Fund and invested in the Allianz GI Sustainability Fund. The GSI Board interviewed four firms and spent significant time reviewing the research, decision making and performance history of each firm, before deciding on the appointment of AllianzGI. Mercer, our investment advisors, gives this strategy an A rating defined as having above average prospects of outperformance. Mercer also gives the strategy a high ESG (*environmental, social and governance*) rating. They view AllianzGI Sustainability Fund as a strategy that includes ESG factors as part of decision making, with a strong level of commitment made at the firm-wide level and an indication that data and research are being taken into account by the managers in the valuations and investment processes.

INVESTMENT POLICY

The Statement of Investment Policies & Procedures (SIP&P) is reviewed at least annually and updated or amended as required at each review. The focus in 2015 was on amendments required to be compliant with new regulations from the Financial Services Commission of Ontario (FSCO) where the ELCIC Pension Plan is registered. The new requirements which included the necessity to “state whether or not ESG factors were considered in making investment decisions and if so how?” were welcome and timely as the Board continues to refine the approach and expectations of Responsible Investing “RI” and just has recently hired an investment manager with a high RI rating. More details on these amendments can be found on page 12. The latest version of the SIP&P was approved October 29, 2015 and is posted on the GSI website. SIP&P also must now be filed with FSCO under the new regulations.

President's & Executive Director's Message

GOVERNANCE

As the ELCIC Pension Plan members reside in most pension jurisdictions across the country, the plan text must stay compliant with changes affecting its members in those jurisdictions. This past year BC, Alberta and Nova Scotia all updated their respective 'Acts' governing pension plans. ELCIC Pension Plan sections 7.08, 8.06, 9.01(4), 13.11, and appendices A, D and G were amended to reflect the changes, which were focused on pension accounts with small balances. Sections 2.09, 2.14, 2.24 and 13.12 were amended to allow ELCIC the option to include participation of employers from other faith based organizations. All amendments have been approved by FSCO. The complete ELCIC Pension Plan is on the GSI website.

The board also updated the Plan Fees Policy and Communication Policy. Both can be found on the GSI website.



Larry Hofmeister

BOARD SUCCESSION

Every second year, half the board terms come to an end and 2015 was the year where we said many thanks and a sad good-bye to George Bridge who served for the past eight years. George guided us through several initiatives as the Investment Committee Chair. He also was a part of the Executive (Officers) as Vice-President for six years and served on the Finance Committee.

The Directors welcomed **Larry Hofmeister** to the Board at the fall meeting. Larry is a Chartered Professional Accountant and has extensive experience in the fields of health, financial and strategic planning, and governance matters.

NATIONAL CONVENTION

At National Convention last summer, GSI hosted a wellness fair where plan members could participate in certain health assessments and get encouragement to work on a healthier lifestyle. About 75 people took part and most of those expressed that it was a convenient and helpful way to learn and be reminded about making healthy choices

Plan members also stopped by the GSI booth to discuss their pension account and ask questions about their retirement planning. There were many great conversations with delegates about the plans GSI sponsors and their impact on the well-being of our members.

President's & Executive Director's Message

RETIREMENT PLANNING

Plan members (and some spouses) gathered in one of the eight workshops held across the synods, to spend a few focused hours on planning for retirement. After some detailed number crunching, members considered lifestyle changes and other aspects of preparing for retirement. These sessions are hosted in major centers every four to five years or as need arises. There are many tools on the GSI website that can also assist in retirement planning.

LOOKING AHEAD

We look forward to serving you – the plan members and employer/ congregations in the coming year. The dynamic pension landscape continues to both challenge us and provide its rewards, as we strive to support the ELCIC in providing a great pension plan.

Best Regards,

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



A handwritten signature in black ink that reads "Jackie Dojack".

Jackie Dojack

PRESIDENT



A handwritten signature in black ink that reads "Lisa Thiessen".

Lisa Thiessen

EXECUTIVE DIRECTOR

Investment Results



Mark Johnson
INVESTMENT
COMMITTEE CHAIR

The ELCIC Pension Plan oversight responsibilities include monitoring and evaluating the performance of the investment managers. While we would always prefer to have positive returns, there a number of ways to measure ‘how well’ the investment portfolios did.

Most members focus on the results of the past year, which is understandable as those dollar amounts are shown on their member statement. Here are one-year results for 2015:

Fixed Income Fund Investments	One Year ELCIC Pension Plan Return	One Year Index Return	Index Description
Bond Fund	3.9%	3.5%	FTSE TMX Canada Universe Bond Index
Mortgage Fund	3.8%	2.6%	FTSE TMX Canada Short Term Bond Index

Growth Fund Investments	One Year ELCIC Pension Plan Return	One Year Index Return	Index Description
Canadian Equity - Value	-2.4%	-8.3%	S&P/TSX Capped Index
Canadian Equity - Growth	-1.0%	-8.3%	S&P/TSX Capped Index
Developed World Stock Fund	19.9%	19.5%	MSCI World Index Cdn\$
Global Equity Allocation Fund	14.9%	17.7%	MSCI ACWI Cdn\$

You will note that while the Canadian Equity returns are negative, the investment managers, Jarislowsky Fraser with the value style and Manulife Asset Management with the growth style, both performed considerably better than the Canadian Index. GMO, the investment manager selected stocks in the Global Equity Allocation Fund, had a positive return at 14.9%, but failed to perform as well as the index they are measured against.

Another important thing to note is that MSCI World Index only returned 0.3% in USD, and the MSCI ACWI Index in USD posted -3.9% for 2015. The Cdn\$/US\$ exchange rate finished the year at US\$ 0.7199, a fall of 16.6% during 2015. This means that when converted to Canadian dollars, the global market returns for the year are meaningfully higher.

Investment Results

As mentioned in the opening comments, overall the ELCIC Pension Plan earned 6.1% based on the combination and weighting of assets in each of these categories. This is a better result than the median balanced pension plan in Canada earning 5.7%. When the expenses to run the plan are deducted, the net return stands at 5.3%. Each plan member will have a slightly different result based on the weighting in their account of these two funds and timing of the contributions made throughout the year.

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 to the expectations described in the SIP&P.

Here are the outcomes of the four year annualized returns ending December 31, 2015.

Fixed Income Fund Investments	Four Year Rolling ELCIC Pension Plan Return	Four Year Rolling Index Return	Expectation is 0.3% above index (description as in prior chart)
Bond Fund	4.2%	3.6%	Yes
Mortgage Fund	3.9%	2.4%	Yes

Growth Fund Investments	Four Year Rolling ELCIC Pension Plan Return	Four Year Rolling Index Return	Expectation is 1.5% above index (description as in prior chart)
Canadian Equity - Value	10.5%	5.3%	Yes
Canadian Equity - Growth	9.3%	5.3%	Yes
Developed World Stock Fund	19.6%	20.8%	Not met
Global Equity Allocation Fund	16.2%	19.2%	Not met

And finally, we want to ensure that the managers are adding value compared to the Consumer Price Index (CPI).

	2015 Return	2015 CPI + 1% met	Four Year Rolling Return	Four Year CPI + 1% met
Fixed Income Fund	4.0%	2.6% yes	4.2%	2.3% yes

	2015 Return	2015 CPI + 5% met	Four Year Rolling Return	Four Year CPI + 5% met
Growth Fund	8.1%	6.6% yes	14.1%	6.3% yes

Statement of Financial Position

	Fixed Income Fund	Growth Fund	Total 2015	Total 2014
	\$	\$	\$	\$
Investments				
Cash and money market	803,119	196,627	999,746	1,072,695
Cash in transit to global equities		23,915,583	23,915,583	
Community Values Bond Fund	30,602,938		30,602,938	30,809,765
Mortgage Fund	7,941,052		7,941,052	3,967,343
Canadian equity		22,595,236	22,595,236	22,912,452
Global equity				23,631,200
Accrued Income		13,647	13,647	8,529
	39,347,109	46,721,093	86,068,202	82,401,984
Pension Contributions Receivable				
Employer	29,851	42,844	72,695	39,625
Member	26,120	37,489	63,609	34,591
	55,971	80,333	136,304	74,216
Other Assets and Liabilities				
	25,672	31,377	57,049	129,434
Net Assets Available for Benefits				
	39,428,753	46,832,802	86,261,555	82,605,634

Statement of Changes in Net Assets Available for Benefits

	Fixed Income Fund	Growth Fund	Total 2015	Total 2014
	\$	\$	\$	\$
Contributions				
Employer required	836,441	1,289,525	2,125,966	2,130,622
Member required	730,607	1,127,239	1,857,846	1,861,186
Member voluntary	14,654	19,255	33,909	20,327
	1,581,702	2,436,019	4,017,721	4,012,135
Investment Result	1,415,184	3,584,406	4,999,590	7,640,762
Interfund Rebalancing	2,162,578	(2,162,578)		
Account Transfers to Retirement Plans	(2,498,062)	(2,195,310)	(4,693,372)	(6,206,116)
Management Fees	(302,657)	(365,361)	(668,018)	(625,867)
Increase in Net Assets	2,358,745	1,297,176	3,655,921	4,820,914

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.



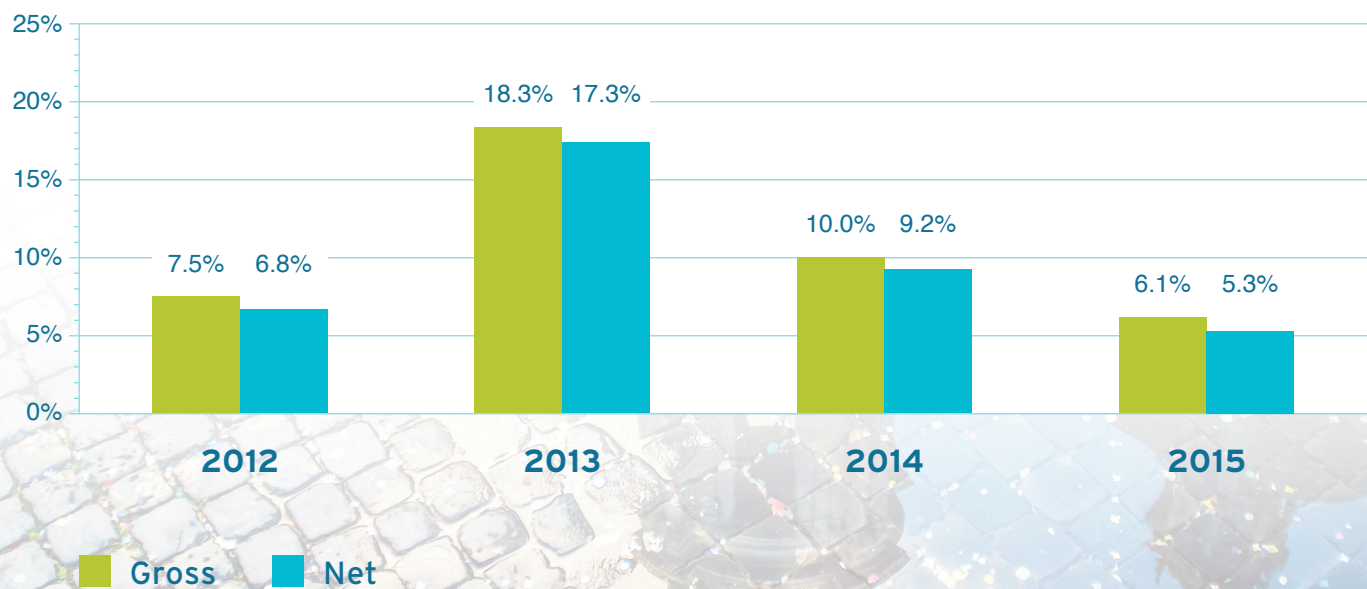
Ian Koellner
FINANCE AND AUDIT
COMMITTEE CHAIR

Statistical Information

Plan Membership

	Active	On Leave	Deferred Retirement	Total 2015	Total 2014
Members, January 1st	540	65	243	848	875
New members	33			33	45
Transitions	(26)	5	21	0	
Account transfers to retirement plans	(32)	(9)	(20)	(61)	(71)
Account paid out on death				0	(1)
Members, December 31st	515	61	244	820	848

Return History



ELCIC Pension Plan Description

The following general description of the Pension Plan for Clergy and Lay Workers of the Evangelical Lutheran Church in Canada (ELCIC Pension Plan) is a summary only. For more complete information, reference should be made to the Registered Pension Plan document.

General

The ELCIC Pension Plan is a defined contribution plan for active clergy and lay workers of the Evangelical Lutheran Church in Canada (ELCIC) and its congregations, related institutions and agencies. It is registered with Canada Revenue Agency and with the Financial Services Commission of Ontario registration number 0533240. The 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) are recorded in the members' account 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

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

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 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's allocated contributions plus investment income (loss) allocated to that date.

ELCIC Pension Plan Description

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 and in the case of clergy, the roster status is retired or removed. However, such transfers are subject to lock-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.

Death Benefit

If a member dies before retirement, the account balance could be transferred on a locked-in basis or used to purchase a life annuity for the pension partner from an authorized financial institution. Either an immediate or deferred annuity may be chosen, but if deferred then payment must commence no later than December 31 of the year in which the pension partner attains age 71. The value of voluntary contributions may be used as described above, or paid to the pension partner in a lump sum. If the member does not have a pension partner, the value of the account will be paid in a lump sum to the named beneficiary, if any, and otherwise to the estate of the deceased.

Retirement

At retirement, the accumulated account balance is available to purchase a retirement income payable from outside the pension plan fund. There are a number of retirement income options available, which vary based on the pension jurisdiction in which the member last worked.

Statement of Investment Policies & Procedures “SIP&P”

Amendments to the SIP&P during 2015 included:

- **Adding to the investment beliefs sections the statement**

“Responsible corporate behavior, which includes high ethical and environmental standards and respect for employees, human rights and the communities in which a company operates can have a positive effect on financial performance *(to varying degrees across companies, sectors, regions, asset classes and time)*.”

- **Adding to the socially responsible investment sections the statements**

“ESG factors shall be considered by the Administrator in the selection and retention of investments across asset classes through an ongoing assessment of the extent to which investment managers analyse and integrate these factors into their investment process.”

“Investment managers should consider all relevant, material environmental, social and governance (“ESG”) factors in selecting investments. In the Fund’s fixed income and global equity portfolios, ESG factors are an explicit component of the investment decision-making process.”

“Consideration is given to the specific investment mandate as well as identified best practices for the incorporation of ESG factors when assessing the investment managers.”

- **Amending the quality constraints section to increase the portion of BBB rated securities that may be held in the fixed income portfolio from 20% to 25%**

- **Adding a point to the section on constraints and limitations clarifies the policy regarding the lending of cash and securities**

“The Plan itself may not enter into cash or securities lending agreements, although the Investment Funds may do so if their policies so permit.”

Plan Administration

Board of Directors

Officers	Directors	Chair Position	Term	Expires
President	Jackie Dojack, MEd	Board	2nd	2017
Vice President	Mark Van House, MDiv		2nd	2019
Secretary	Pamela Giles, PhD	Communications	1st	2019
Treasurer	Ian Koellner, CPA, CA	Finance & Audit	2nd	2017
	Larry Hofmeister, CPA, CMA		1st	2019
	Mark Johnson, CPA, CA	Investment	1st	2017
	Philip Lokken, LLB	Governance	1st	2019
	Bob Matthes, CPA CA, CFP, RFP, TEP	Benefits	1st	2017

Staff

Lisa Thiessen, B. Comm (Hons), CPA, CA	Executive Director
Barb Fortier, B. Comm (Hons)	Pension & Benefits Administrator
Marlene Lucky	Communications & Accounting Assistant
Erika Wiens	Accounting & Administration Assistant

Advisors & Consultants

Firm	Role	Appointed
Aikins	Legal Counsel	October 1997
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
GMO	Investment Manager	November 2006
Manulife Asset Management	Investment Manager	November 2008
Phillips, Hager & North	Investment Manager	February 2005
Mercer	Pension Consultants	March 2002
Mercer Investment	Investment Consultants	October 2003
		Ceased
GMO	Investment Manager	December 2015

Contact Information

Address	Email / Website	Winnipeg residents call:	Outside Winnipeg toll free:
ELCIC Group Services Inc. 805-177 Lombard Ave Winnipeg, MB R3B 0W5	info@elcicgsi.ca www.elcicgsi.ca	204-984-9181	1-877-352-4247

GSI Board of Directors



BACK ROW (LEFT TO RIGHT)

Mark Van House, Pamela Giles, Jackie Dojack, Mark Johnson

FRONT ROW: (LEFT TO RIGHT)

Bob Matthes, Larry Hofmeister, Philip Lokken, Ian Koellner



ELCIC Group Services Inc.

805-177 Lombard Ave
Winnipeg, MB | R3B 0W5

Website: www.elcicgsi.ca Email: info@elcicgsi.ca
Tel: **204.984.9181** Toll Free: **1.877.352.4247**