



Annual Report

2014

*Pension Plan for Clergy and Lay Workers of the
Evangelical Lutheran Church in Canada*

administered by





*The earth is the Lord's and the fulness thereof, the world
and those who dwell therein.*

—Psalm 24:1 RSV

PRESIDENT'S AND EXECUTIVE DIRECTOR'S MESSAGE

When we were thinking of how we would describe 2014 for the ELCIC Pension Plan, great investment returns definitely came to top of mind. But for ELCIC Group Services Inc. (GSI), as the ELCIC Pension Plan Administrator, governance is of overriding importance. Constant review, reflection and improvement occurs in order for the plan to be designed and maintained so that it provides reasonable income in retirement. This design includes a view to being a responsible investor. The cover photos (front and back) were chosen to show how we are surrounded by the environment and at the centre of its care.

Responsible Investing

The Statement of Investment Policies & Procedures (SIP&P) states that:

The Administrator believes in the importance of investing prudently in corporations that demonstrate environmental responsibility, social justice and strong governance practices. ELCIC Pension Plan investments should be made in accordance with the social conscience of the community of the plan membership, as determined by the Administrator.

GSI has applied this philosophy in its decision making and through its monitoring practices. Specifically, GSI discusses the environmental, social and governance considerations with the investment managers at the annual in-person presentations as well as various communications throughout the year. The ELCIC Pension Plan's investment managers take a pro-active approach in identifying and investigating concerns and reporting back to GSI.

The ELCIC Pension Plan has been a signatory to various environmental initiatives over the years including: carbon disclosure, CDP water project and forest footprint disclosure. Most recently, the ELCIC Pension Plan joined many other religious institutions in Canada in signing a letter to the Minister of Finance calling once again for action on the issue of climate change.

Another aspect of responsible investing is the allocation to a community values bond fund which currently represents 37% of the overall portfolio. This fund has



been part of the ELCIC Pension Plan for over two years now and has the following investment objective:

The funds seeks to provide stability of capital and generate interest income by investing primarily in a well diversified portfolio of fixed income securities issued by Canadian governments and corporations that conduct themselves in a socially responsible manner.

GSI continues to review and look for other opportunities to ensure that the ELCIC Pension Plan assets are invested in strategies that are assessed as having above average prospects of outperformance as well as a documented and proven approach to incorporating environmental, social and governance considerations.

Investment Strategy - Life Cycle

The Life Cycle model was implemented in the last quarter of 2013, with the transition completed in June of 2014. In this model there are two funds: Growth and Fixed Income, in which members' contributions are invested. The allocation between the funds is unique to each plan member as it based on his or her age.

Investment Results

The ELCIC Pension Plan investments performed very well this year with an overall return of 10.8% for 2014 before expenses. The expenses charged to the plan in 2014 were around .78% of the average asset balance. For more detailed information about the investment results as compared to performance targets, see pages 8, 9 and 10.



Retirement Planning

GSI provides a number of tools and resources to plan members to aid in retirement planning. These can be found on the website. In addition, every few years, GSI offers retirement planning education sessions to plan members and their spouses in various centres across the country. Plan members can also take advantage of the retirement counselling services provided by Eckler (pension consultants under contract with GSI).

Member pension statements for 2014 included a projection of possible retirement income for a few scenarios based on certain assumptions. The intention is to assist plan members in understanding how the pension plan works and what it means for them when they convert their pension account to retirement income.

Final Words

It has been a rewarding year working with the GSI board, staff and advisors. We look forward to the future as we continue to serve in the ELCIC in God's grace.

If you require any further information, please direct your questions to info@elcicgsi.ca.



Jackie Dojack
President
ELCIC Group Services Inc.



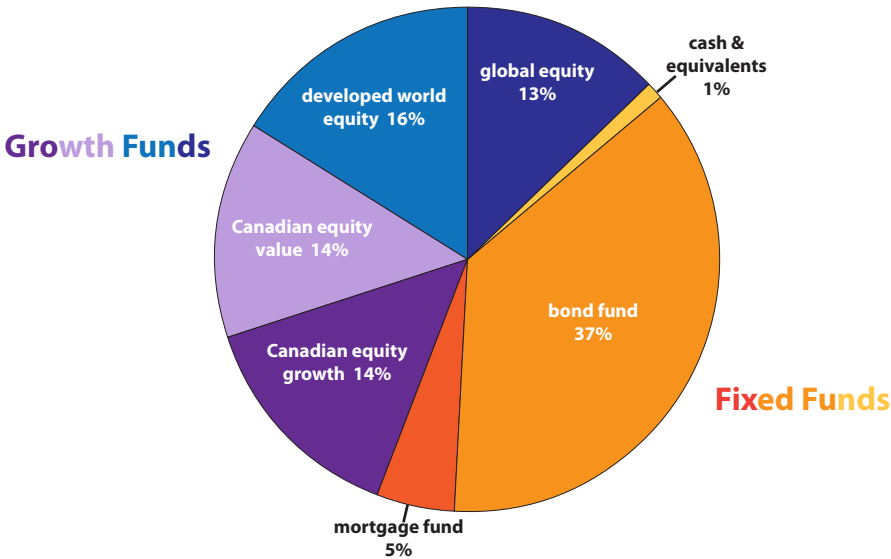
Lisa Thiessen CA
Executive Director
ELCIC Group Services Inc.



Plan Membership

	Active	On Leave	Deferred Retirement	Total 2014	Total 2013
Members, January 1	553	69	253	875	920
New members	45			45	42
Transitions	(22)	0	22	0	0
Account paid out on termination	(36)	(4)	(31)	(71)	(87)
Account paid out on death			(1)	(1)	0
Members, December 31	540	65	243	848	875

Asset allocation chart



SUMMARY FINANCIAL STATEMENTS

Statement of change in Net Assets available for Benefits

	2014	2013
Assets, beginning of year	77,784,720	70,928,341
Required member contributions	1,861,186	1,868,372
Voluntary member contributions	20,327	19,961
Required employer contributions	2,130,622	2,138,846
Investment income	7,640,762	12,277,266
Account terminations	(6,206,116)	(8,735,852)
Management fees	(625,867)	(712,214)
Change in assets	4,820,914	6,856,379
Assets, end of year	\$82,605,634	\$77,784,720

Statement of Financial Position

	2014	2013
Cash and money markets	1,072,695	229,592
Bonds	30,809,765	26,931,430
Mortgage Fund	3,967,343	1,330,615
Canadian Equities	22,912,452	24,243,098
Global Equities	23,631,200	24,840,656
Accrued investment income	8,529	11,947
Contributions receivable	74,216	104,719
Other assets	129,434	92,663
Total Assets	\$82,605,634	\$77,784,720



The financial statements were prepared by the Pension Plan's Administrator, ELCIC Group Services Inc., and audited by PricewaterhouseCoopers LLP. The Finance and Audit Committee reviews the financial statements to ensure that appropriate internal control procedures and management information systems are in place and recommends the annual operating budget. A complete audited financial statement is available upon request to the GSI office.

INVESTMENT REPORT

Investment Performance - Measurement Objectives

The SIP&P has defined various objectives that are used to measure the performance of the investment managers. The objectives and all percentages shown in the table below are based on the average returns over a four-year time period ending December 31, 2014. Please note that all targets are the expectation of the Administrator but are not guaranteed.

Actual Fund Return	Objective One	Objective Met?	Objective Two	Objective Met?
Fixed Income Fund				
	real rate of return of at least 1% (i.e. CPI + 1%)		FTSE TMX Canada Universe Bond Index + 0.3%	
5.3%	2.5%	yes	5.4%	yes
Growth Fund - Canadian Equities				
	real rate of return of at least 5% (i.e. CPI + 5%)		S&P/TSX Capped Index + 1.5%	
8.0%	6.5%	yes	6.6%	yes
Growth Fund - Global Equities				
	real rate of return of at least 5% (i.e. CPI + 5%)		MSCI World Index Cdn\$ + 1.5%	
13.4%	6.5%	yes	16.2%	no



Investment Results for 2014

The following points focus more specifically on the performance of the investments this past year. This is summarized from the ELCIC Pension Plan's investment managers' reports.

Bonds

"It has been a stunning year for bond returns" said PH&N the ELCIC Pension Plan's fixed income manager in their final report of 2014. PH&N attributes this to the U.S. economy's growth rate and the value added by the credit strategies they employed. For the year the community values bond fund returned 9.21% and the mortgage trust fund returned 6.11%.

Global Equities

The MSCI benchmark for the portfolio's global equity portion returned 15% in 2014. However the ELCIC Pension Plan's global investment manager, GMO, only earned 9.9% for the year due to a significant underweighting in U.S. equities which delivered the best performance while the rest of the world posted much weaker results.

Canadian Equities

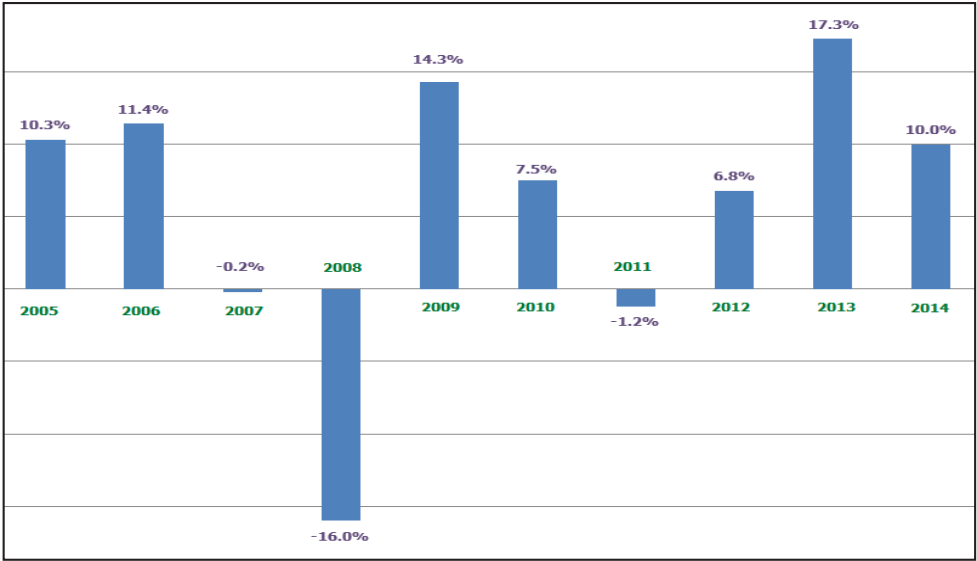
Jarislowsky Fraser earned 12.9% (0.7% over the S&P TSX), which they attribute to a mixture of good stock selection and positive sector allocation. For instance the overweight position in Consumer Staples was highly beneficial, as was the allocation to Information Technology. On the stock selection side it was the positions in the pipeline companies and the absence of gold stocks that were the major contributors. Manu-



life Asset Management earned 12.5% for 2014. Their annual report states that they will remain overweight in sectors that have strong export earning and are beneficiaries of a weak Canadian dollar.

Pension Plan Investment Return History

The following investment results indicate the net investment return after expenses paid for the pension plan, all funds combined. This will not necessarily be the result for individual plan members as each members' allocation between investment portfolio funds will vary based on the life cycle policy.



ELCIC PENSION PLAN DESCRIPTION

General

The 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 the Canada Revenue Agency and with the Financial Services Commission of Ontario. The Pension Plan is a Registered Pension Trust as defined in Section 149(1)(o) of the Income Tax Act (Canada).

Administration

GSI is the Administrator of the Pension Plan and 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.

All of the Pension Plan’s assets are held in trust by the 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. All contributions are recorded in the member’s account as they are received for each active member. Investment income (or loss) earned is allocated to members’ accounts based on the actual dollar weighted rate of return, net of fees, expenses and charges on the combined investments for each month.



Funding policy

Pension Plan active members contribute 7%, and their respective employers contribute 8% of a member's Salary. Members may make voluntary contributions. The combined contributions of a member and the employer cannot exceed the maximum as defined under the Income Tax Act. Member contributions to the Pension Plan are tax deductible, subject to the limitations in the Income Tax Act.

Account Entitlement

Members are entitled to the entire accumulated balance in their account in the event of termination, retirement or death. This amount includes member and employer contributions plus investment income (or 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 or 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 to an authorized financial institution on a locked-in basis or used to purchase a life annuity for the pension partner. 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. There are a number of retirement income options available, which vary based on the pension jurisdiction in which the member last worked.



PLAN ADMINISTRATION

Board Members



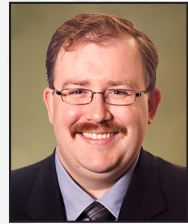
Ms. Jackie Dojack, MEd
President, Board Chair



Mr. George Bridge
Vice-President,
Investment Committee Chair



Rev. Mark Van House, MDiv
Secretary



Mr. Ian Koellner CPA, CA
Treasurer,
Finance & Audit Committee Chair



Mr. Bob Matthes, CA, CFP, RFP, TEP
Governance Committee Chair,
Benefits Committee Chair



Mr. Mark Johnson, CA
Member-at-Large



Ms. Pamela Giles, PhD
Communications Committee Chair



Mr. Philip Lokken, LLB
Member-at-Large

Staff

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

Advisors

Aikins	Legal Counsel
CIBC Mellon GSS	Trustee and Custodian
Eckler	Retirement Consultants
PricewaterhouseCoopers LLP	Auditors
Jarislowsky Fraser	Investment Management
GMO	Investment Management
Manulife Asset Management	Investment Management
Phillips, Hager & North	Investment Management
Mercer	Pension Consultants
Mercer Investment Consulting	Investment Performance Monitoring





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