

Good Governance

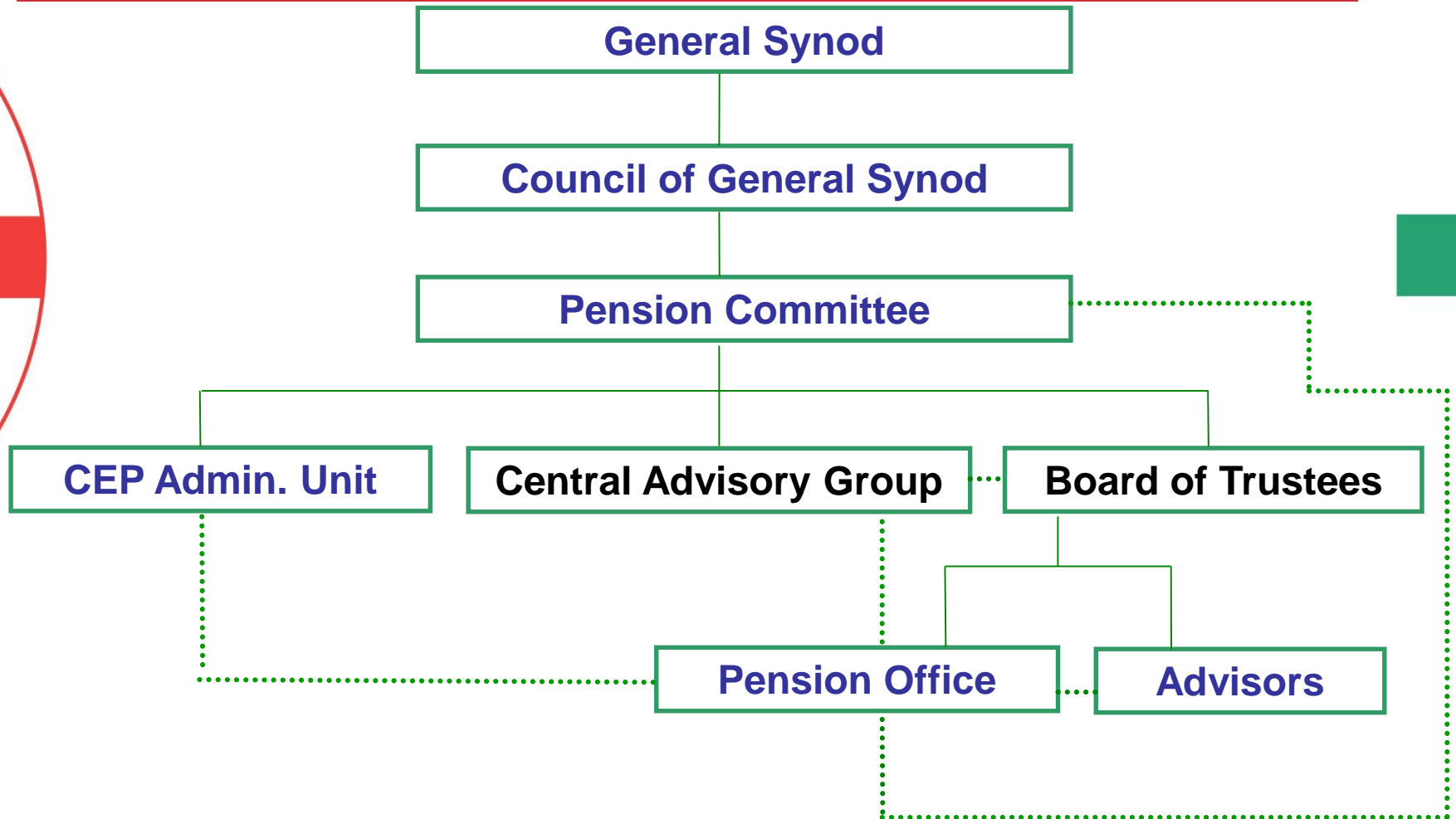
Pension and Benefit Plans

Diocese of Fredericton
April 28, 2018

Fiduciary relationship

- **Fiduciary relationship exists when:**
 - **One party can exercise power and act unilaterally**
 - **One party is vulnerable to the actions of the other**
- **Rules of conduct:**
 - **Must be even-handed**
 - **Set aside personal views**
 - **Act in best interest of members**
 - **No conflict of interest**
 - **Cannot profit from position**

Governance structure



Pension Committee– *who*

□ **Defined in Canon VIII**

- **Primate**
- **Prolocutor**
- **General Secretary**
- **Treasurer**
- **Director of Pensions**
- **Two Bishops, two clerical and two lay persons elected by General Synod**
- **Trustees**
- **Five additional members appointed by Committee**

Pension Committee –*duties*

- **Oversee the following plans:**
 - **General Synod Pension Plan (GSPP)**
 - **Lay Retirement Plan (LRP)**
 - **Long Term Disability Plan (LTD)**
 - **Employee Benefits Program**
 - **Self-Insured Death Benefit Plan (SIDB)**
 - **Continuing Education Plan (CEP)**
 - **Pension Endowment Funds**

Pension Committee– *duties*

- Appoints:**
 - **Board of Trustees**
 - **Central Advisory Committee**
- Makes and amends plan regulations**
- Recommends Canon changes and provides semi-annual report to CoGS**
- Accepts participating employers**
- Considers questions and appeals**
- Stimulates interest and support for plans**

Board of Trustees– *who* (*defined in Canon VIII*)

- **6 – 9 people**
- **Appointed by Pension Committee**
 - At least half must represent members
- **Term**
 - Three-year terms ending May 31st
 - One-year break required after two consecutive terms
 - **Board of Trustees = Administrator (by law)**

Board of Trustees – *duties*

- **Must meet fiduciary responsibilities and ensure legislative compliance**
- Act in best interest of plan members**
- Receives, holds and administers funds for Pension and LTD plans**
 - **Oversees investment of funds for all plans**
- Hires, defines duties and supervises Director of Pensions**
- Implements/maintains governance model**
- Reviews / maintains plan documentation**
- Negotiates / maintains agreements with participating employers**
- Provides report to Pension Committee**

GSPP – Board of Trustees

Ms. Josephine Marks - Chair

Mr. Stephen Koning

Mr. Jordan N Fremont

Ms. Sheryl Kennedy

Ms. Karen McRae

The Rt. Rev. Philip Poole

Mr. Bob Boeckner

Mr. David Stovel

Pension Office Corporation

- **Day-to-day administration for:**
 - General Synod Pension Plan
 - LTD plans
 - Employee Benefits Program
 - Continuing Education Plan
 - Pension Endowment Funds
- **10 full-time staff**
- **Director reports to Board of Trustees**

Pension Office– *duties*

- Collecting / maintaining member data**
- Collecting plan contributions /premiums and remittance to insurers**
- Payment of pensions, LTD benefits and endowment funds**
- Processing LTD claims**
- Employer/ member communications**
- Develop changes to plan design**
- Monitor financial status of plans and investment managers**
- Negotiate with insurers**
- Comply with legislation**
- Provide day-to-day member and employer services**
- Consult with/monitor external advisors**

General Synod Pension Plan (GSPP)

- **Target benefit (TB) pension plan**
 - Member and employer make contributions
 - Contributions deposited in pension fund; invested by plan
 - Benefits based on pre-set formula based on earnings and service
 - Established in 1946
- **Specified multi-employer pension plan (SMEPP)**
- **Participating employers:**
 - All 30 dioceses
 - Other Church-related organizations

GSPP – *who can join?*

- Membership automatic for paid ordained or lay employees of:
 - General Synod
 - Participating employer
 -
- Lay employees can be excluded if part-time and, in the last 2 calendar years:
 - work less than 700 hours per year; or
 - earn less than 35% of YMPE
 -
- Any employee can apply to Pension Committee for exemption

GSPP – Contribution Rate

- Current contribution rate is 17.2% (11.9% paid by employer & 5.3% paid by employee)
- Expense Fund Contribution paid by employer (1.3%)
- Reason for recent increases – Aging of Population

Valuation	Average Age
December 2016	53.0
December 2015	53.0
December 2014	52.8
December 2013	52.7
August 2012	52.5
August 2011	52.7
August 2008	51.9
December 2006	51.4
December 2004	50.9
December 2002	50.7
December 1999	49.3

GSPP – Accrual of Pension

- **Defined Benefit Plan & Defined Contribution Plan (Multi-Employer Pension Plan)**
 - Provides full portability of pension plan entitlements anywhere in Canada
 - ⑩ **Career Average Formula**
 - ⑩ **1.8% per year of service, effective 2010 (1.5% to 2.0% previously)**
 - ⑩ **Normal Retirement (NRD)– age 65 or 40 years of service**

GSPP – Ancillary Benefits

- ❑ Postponed retirement – 6% increase to pension earned at NRD, for each year that pension is not in pay during employment
- ❑ Early retirement – ½ % per month reduction prior to Normal Retirement
- ❑ Normal form of pension has 60% survivor benefit or life only (if no spouse)
- ❑ Optional forms offered:
 - 100% survivor with a change in accrued pension dependent upon actual ages of member and spouse
 - ⓐ Pre-Retirement Death benefit – 60% survivor's pension
 - ⓐ and/or lump sum
 - ⓐ Disability benefit – continued accrual

Postponed Retirement

- Continue pension plan contributions and accrual, but not past age 71**
 -
- Continue to participate in benefit plans for active employees**
 -
- At age 65, life insurance drops from \$100,000 to \$60,000**
 -
- Continue to access CEP funds for eligible expenses incurred upto 3 months before actual retirement date**

GSPP – Nature of Investments

December 31, 2017

Actual Target

- Canadian Equities 18.8% 18
- Global Equities 36.2%
- Fixed Income 27.9% 32
- Real Estate 10.3% 10
- Infrastructure 3.5% 05
- Private Debt 1.6% 05
- Short Term 1.7% 0
- 100% 100%
-
- \$889 million (as of Dec 31, 2017)

GSPP – Pension Fund Managers

Baillie Gifford	Global equity
Cranston, Gaskin, O'Reilly & Vernon (CGOV)	Canadian & global equity
Letko, Brosseau	Canadian & global equity
PH&N	Fixed income
Canso Investment	Corporate bonds
Bentall Capital Management	Canadian real estate
Greystone	Canadian real estate
Macquarie	Global infrastructure
Neuberger Berman	Private debt
CIBC	Overlay strategy (Currency)

GSPP – Return on Investments

	1 Year	4 Years	10 Years
As at Dec. 31/08	-19.0%	2.0%	-
As at Dec. 31/09	15.7%	2.5%	-
As at Dec. 31/10	9.9%	1.2%	5.8%
As at Dec. 31/11	2.8%	1.4%	5.9%
As at Dec. 31/12	13.2%	10.3%	7.5%
As at Dec. 31/13	18.8%	11.0%	7.8%
As at Dec. 31/14	13.1%	11.8%	8.0%
As at Dec. 31/15	7.6%	13.1%	7.4%
As at Dec. 31/16	9.5%	13.2%	6.8%
As at Dec. 31/17	12.7% - Q1	10.7% - Q1	7.9% - Q1

Actuarial valuation

- ❑ **Measures financial health of plan**
- ❑ **Values assets and liabilities**
 - **Ensure assets plus future contributions sufficient to meet benefit obligations**
- ❑ **Filed with FSCO**
 - **Every one – three years**
 - **Must file report as of December 31, 2017 in September 2018**

GSPP – Assets vs. liabilities

- **Going concern basis**
 - Tests financial health assuming plan will continue to operate
- **Solvency basis**
 - Tests financial health assuming plan will wind up immediately and pay out all benefits

GSPP – Financial Position for Past Service

		Going Concern	Solvency
As at Aug.31/08	Assets Liabilities Surplus	\$619M 589M \$ 30M	\$618M 618M \$ 0M
As at Aug. 31/11	Assets Liabilities Surplus	\$599M 599M \$ 0M	\$598M 712M \$(144)M
As at Aug. 31/12	Assets Liabilities Surplus	\$579M 608M \$(29)M	\$590M 747M \$(156)M
As at Dec. 31/13	Assets ¹ Liabilities ² Surplus	\$611M 632M \$(21)M	\$612M 773M \$(153)M
As at Dec. 31/14	Assets ³ Liabilities Surplus	\$655M 642M \$ 13M	\$654M 811M \$(157)M
As at Dec. 31/15	Assets ⁴ Liabilities Surplus	\$700M 650M \$ 49M	\$698M 940M \$(241)M
As at Dec. 31/16	Assets ⁵ Liabilities Surplus	\$757M 658M \$ 99M	\$756M 945M \$(189)M
As at Dec 31/17 – est	Assets ⁶ Liabilities Surplus	\$819M 660M \$156M	\$818M 932M \$(114)M

1 Includes \$79M smoothing adjustment 3 Includes \$95M smoothing adjustment 5 Includes \$60M Smoothing adjustment
 2 Includes \$17M for stronger mortality assumptions 4 Includes \$90M smoothing adjustment 6 Includes \$71M smoothing adjustment

Contribution Sufficiency

	December 2016
Cost of benefits	12.9%
Provision for expenses	0.0%
Provision to eliminate unfunded liabilities	0.0%
Total required contribution	12.9%
Total expected contribution	17.2%
Excess (shortfall)	4.3%

Challenges

□ Solvency deficiency

- relevance
- funding exemption status

⑩ Long term sustainability

- merge with LRP
- merge with other plans
- fine tune valuation assumptions
- review plan provisions for possible changes for future service

GSPP – Administrative Matters

- **Retirement Date is always on the 1st of a month**
 - Encourage members to work late into a month so as to avoid a gap in income
- **Contract Staff (time-limited employment)**
 - LTD/WI Coverage not available at all
 - Less than 12 months, no coverage available
 - 12 months or more, pension and other benefit coverages available

LTD Plan

- Members of GSPP and LRP must participate**
- Limits risk**
- More tax effective**
- Self-insured / Insured**
 - **First 22 months – Self-insured** ⇒ LTD Fund
 - **After 22 months – Insured** ⇒ Manulife
- Employer pays contributions**
 - **Taxable benefit**
- \$2.8million in assets** (*at June 30,2017*)

LTD Plan Financial Experience

(Self-insured portion)

30/06/16 30/06/17

Market Value of

Assets	\$ 2,657,800	\$2,778,600
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Liabilities	<u>\$782,900</u>	<u>\$911,200</u>
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Premium	\$ 1,874,900	\$1,867,400
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Stabilization Reserve

LTD Claims Management

- **Effective, January 1, 2017, change of adjudicator to Oncidium**

Continuing Education Plan (CEP)

- ❑ **Education / training for employees**
- ❑ **Oversight: Continuing Education Administrative Unit**
- ❑ **\$450 per member per year**
 - Fully paid by employers
- ❑ **Assets: \$6.2 million** *(at December 31, 2017)*

CEP - Benefits

- **Education claims**
- **Sabbatical grants**
 - **After 5 years of plan membership**
 - **Up to \$3000 each of 30 grants per year**
 - **8 weeks of continuous leave**
- **Special grants**
 - **Disparity**
 - **Retraining – max \$2000**
 - **Special Events – for group training**

CEP – Administrative Matters

- Expenses incurred/courses attended in the last 3 months prior to retirement/termination cannot be reimbursed
- Hardware expenses of a similar type can only be replaced every 3 years
- All withdrawals from the plan must be for the benefit of the employer

Benefits- Life

ActivesRetirees

Life Insurance \$100,000\$4000 Retiree
1500 Spouse

AD & D \$100,000 Nil

Dependent Life \$5000 SpouseNil
\$2500 Dep Child

Optional in multiples ofNil
\$10,000 (max 300,000)

Benefits- Health

Actives Retirees

(Lifetime maximum of \$50,000 excluding drugs)

Prescription Drugs deductible of \$10

Drug card with deductible of \$10

Paramedical

- Physiotherapist \$535/calendar year
- Psychologist, etc \$535/calendar year

Ambulance ✓✓

Hearing Aids

\$500/60 months \$400/60 months

Vision Eye Exam once per 2 years

Glasses/Contacts

Glasses/Contacts

\$150/24 months

\$100/24 months

Out of Country ✓X

Hospital X

X

Benefits- Dental

ActivesRetirees

Reimbursement

80 %Nil

Maximums

- Basic Services

None

- Dentures + major restorative year
\$2800/Calendar

Administrative Changes as of May 1, 2018

- **Benefits moving to a new platform at Manulife, in order to improve claims payment accuracy and implement positive enrolment of dependents**
- **After May 1, 2018 the following changes must be reported to the Pension Office, and not to Manulife directly:**
 - **- address change**
 - **- add or remove a dependent**
 - **- change in secondary coverage through a**
 - **spousal plan**

Plan Changes as of May 1, 2018

- **Changes agreed to by the Diocese, in order to standardize coverages**
 - **Change from voluntary generic substitution**
 - **to mandatory generic substitution**
 - **Include coverage for psychiatrist**
 - **Include psychotherapist and social worker in psychology benefit**
 - **Change dependent child age limit to 26 for health and dental, from 25**
 - **Include fertility drugs**
 - **Reduce orthopedic shoes to \$100, from \$150**
 - **Increase orthotic limit to \$500, from \$400**
 - **Remove differentiation related to over and under age 18 for vision care**
 - **Change eye exam to once per year, from once per 2 years**
 -
 -

Benefits plans –*advisors*

- Asset consultant: Mercer**
- Actuary/consultant: Eckler Ltd.**
- Auditor: BDO Dunwoody**
- Custodian: CIBC Mellon**
- Legal counsel: Koskie Minsky LLP**
- Insurer: Manulife**
- Disability consultant: Oncidium**

For more information...

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