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Pension

Statement of Beliefs and Guiding Principles

To establish a strategic framework for the management and operation of the Pension Plan of The United Church of Canada and the related Fund (the Plan), the Executive of General Council in its role as Administrator of the Plan has adopted the following Beliefs and Guiding Principles on April 23, 2005, and October 31, 2005. While numbered for convenient reference, these statements are all of equal importance in the operation of the Plan.

General

1. The church believes in taking a best practices approach to governance of the Plan, including (1) clear and documented allocation of responsibilities, (2) development and documentation of all key beliefs, guiding principles, and related policies, (3) proper reporting, oversight, and performance evaluation, (4) reviewing peer pension practices, and (5) obtaining advice from experts or delegating, as needed.
2. All beliefs, guiding principles, and related policies should be consistent with, and mutually supportive of, each other and be balanced and reasonable.
3. The Administrator and all its delegates must be guided by what is in the best interest of the Plan members in all investment and administrative activity. In matters relating to plan design and funding, the broader interest of the church and participating employers should also be considered.
4. All Plan-related activities will comply with legislation (e.g., Pension Benefits Act and Income Tax Act), church policies (e.g., relevant human resources and compensation policies), and Pension Board policies (e.g., plan design, funding, Statement of Investment Policies & Procedures).
5. All Plan-related activities will be based on honesty and understanding and on transparency and full disclosure where relevant and appropriate.

Plan Design

6. The design of the Plan should reflect that saving for retirement is a shared responsibility and is dependent on government, employer, and individual saving initiatives (the three-legged stool).

7. Saving for retirement using the church's Plan should occur over the course of an employee's service with pastoral charges and other participating employers.
8. Plan members should be encouraged to plan for their retirement income.
9. The Plan must be affordable to pastoral charges, other participating employers, and members. The pastoral charges and other participating employers should pay the greater share.
10. Market risk should be borne by the pastoral charges and other participating employers.
11. The Plan should provide a life-time retirement income for the member, protection for surviving spouses and beneficiaries, and benefits of relatively equal value to members with or without a spouse.
12. Age 65 is appropriate for the normal retirement date.
13. A member who retires at the normal retirement date with 35 or more years of credited service in the Plan with an average earnings history should have an adequate level of retirement income from all sources.
14. Subject to reasonable minimum age and/or service criteria, members should be able to retire earlier than the normal retirement date, with limited additional cost to the Plan as a general rule. However, the Plan should retain the flexibility to provide program enhancements such as the current unreduced pension upon retirement at or above age 60 with 35 or more years of credited service, or special early retirement windows.
15. If a member continues employment with a pastoral charge or other participating employer beyond the normal retirement date, the member should be able to defer pension commencement beyond the normal retirement date on an equitable cost basis.
16. Retirement income from the Plan should maintain its real value over the long term subject to available funding.
17. Accrued benefits belong to members from the date of enrolment in the Plan.

Funding

18. Funding levels must ensure a high level of certainty regarding the security of benefits under the Plan.
19. Contributions from the pastoral charges, other participating employers, and members should be stable and predictable.
20. The funding mechanisms used for the Plan must be tax effective.
21. Funding of the Plan, including actuarial assumptions and methods, should assume that the Plan will remain a going concern.
22. Plan documentation and the legislation enable surplus to be applied to meet contribution obligations of the pastoral charges, other participating employers, and members, but otherwise require surplus to be used for the exclusive benefit of the members; however, members do not have any unilateral rights to access surplus while the Plan is ongoing or to force a wind-up of the Plan.
23. Cost-effectiveness in spending and efficiency in operations will guide utilization of the Fund assets and church resources in Plan-related activities.
24. Equity among the membership generations is desirable in terms of contribution levels and allocation of surplus to fund future benefit upgrades or Plan improvements.

Investment

25. Investment markets provide opportunities to produce a real rate of return and an inflation component.

26. Investment-grade conventional bonds and conventional mortgages provide a measure of certainty for the Fund's ability to pay future plan benefits, since these securities have guaranteed periodic investment income and guaranteed principal values at their maturity.
27. Asset classes like equities, real estate, real return bonds, and real return mortgages are likely to offer better inflation protection than conventional bonds and conventional mortgages.
28. A. Investment in equities offers the potential for higher total investment returns over the long term than would be the case if the Fund invested solely in conventional bonds and conventional mortgages, enabling lower contributions to fund the Plan's anticipated benefits.
    B. The risk from equities not having guaranteed periodic investment income and guaranteed maturity values and dates is adequately compensated for by the higher expected return over the long term.
29. Investment in established foreign capital markets offers the potential for higher total investment returns over the long term than if the Fund were invested solely in Canadian investment vehicles, since the Canadian market capitalization is approximately 2\% of world market capitalization in public companies and Canada does not provide access to many quality industries and companies.
30. Diversification reduces volatility.
31. Non-traditional investments may improve the total investment returns over the long term, but should be used only if they are fully understood, well proven in the market place, and priced appropriately.
32. It is important to avoid, whenever possible, having to sell a significant part of the portfolio in a bear market to meet the benefit payment obligation.
33. Socially responsible investment procedures can be employed provided there is reasonable assurance that the best long term interest of the members is being served.
34. Investment processes should be cost-effective, prudent, and provide value-added return.
35. Active management adds value in most asset classes over the long term. It is possible to manage a portfolio with considerably fewer holdings and different industry weightings than the benchmark index with the objective of adding value.
36. Indexed products can add value in certain asset classes and geographies by lowering costs, enhancing transactional ease, and/or increasing market exposure.
37. Derivatives such as options, swaps and hedges, and short-selling can add value by reducing various risks such as market risk, interest rate risk, credit risk, liquidity risk, and currency risk. Derivatives and short-selling should never be used for speculative purposes.

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