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The United Church of Canada

## Good News: Upgrade Announced

Because of conditions in the financial markets, the Pension Board postponed a pension upgrade for some members, awarding an upgrade in January 2009 only to members retired before January 1, 2007. In order to assess the affordability of an upgrade to all members given the impact of the economic downturn on the plan's financial standing, the Pension Board commissioned a valuation of the plan.

The results showed that the plan remains fully funded as at December 31, 2008, with sufficient assets to cover liabilities (the estimated cost of all benefits), with a small surplus of \$34 million.

Because of the relatively strong position of the pension fund, the Pension Board was able to upgrade the benefit calculation for all members who did not receive the original January 2009 upgrade. The benefit upgrade effective January 1, 2009, changes the base year from 2004 to 2006, while maintaining a 175 percent cap. The implementation schedule for this upgrade will be announced in the next issue of Foresight.

## How We Fund Pension Benefits

The United Church's pension plan is a "multi-employer, contributory, defined benefit" plan. What does that mean for members? Mainly, it means the benefit received is defined by the years of credited service in the pension plan and the salary plus housing component, if applicable, received during those years. The money contributed to the fund to pay these benefits does not determine the amount of retirement benefits. The pension statement that active members recently received, along with the Companion Guide to the pension statement, describes this in detail.

In a contributory plan, all pastoral charges and other employers, as well as members, contribute to the fund at an equivalent rate, or percentage; in this way, contributions are distributed fairly across the whole denomination. The pastoral charge contribution rate is 7 percent and the member rate is 4 percent, for a combined rate of 11 percent of pensionable earnings. However, this covers only about 3 percent of the benefits paid in a year. The investment return on the plan assets is very important as the balance (97 percent) of the benefits paid out to members annually depends on this income.

Emphasis on solid governance is key: the fund depends very heavily on returns from investments because member and employer contributions alone can't sustain the benefit payments for retirees. The Statement of Beliefs and Guiding Principles acknowledges this very low tolerance for risk in investments and guides the investment managers' strategy.

Page 20 of the Annual Report of the Pension Plan of The United Church of Canada 2008 (recently mailed to all members) describes the different types of investments the plan has, and the approach to risk that has led to the relative success of the plan in the current economic downturn.

## Church Plan Praised

For the June 2009 issue of Benefits and Pensions Monitor (vol. 19, no. 4, p. 13), “Sponsor’s Desk” writer George Di Falco interviewed Linda Begley, Manager, Compensation, Pension and Benefits, about the relative success of the United Church’s pension plan in the current economy.

Di Falco lists some reasons for its success, such as the fund’s asset mix and generally conservative investment strategy. He concludes, “So, while many plans...face huge funding shortfalls that are pushing pension contributions up, the United Church’s contribution structure has remained stable.”

Begley credits the strong governance framework for the plan’s stability. “Our conservative investment approach is directly behind the return we achieved...but, indirectly, good governance is the real driver [of the fund’s] return,” she says.

The Annual Report of the Pension Plan 2008 contains details about governance structure (p. 6); key elements of the Statement of Beliefs and Guiding Principles (p. 5); and the fund performance (p. 20). The report is available online: [www.united-church.ca/files/minstaff/pension/annualreport.pdf](http://www.united-church.ca/files/minstaff/pension/annualreport.pdf).

### Working and Still Stressed about Finances?

Those covered under the Group Insurance Plans for Active Members have access to the Employee Assistance Program (EAP) provided by Shepell.fgi. Confidential, short-term counselling for any concern is available 24/7. Just call 1-800-387-4765 or go to [www.shepellfgi.com](http://www.shepellfgi.com).

### We’re Printer-Friendly

In January, we offered you a choice between a PDF replica of the printed Foresight and a printer-friendly version, in which the text is the same, but the pictures and colour are minimized. Because the feedback we received was strongly in favour of the printer-friendly version, this will be the format offered online. All issues of Foresight are available on the United Church website: [www.united-church.ca/communications/newsletters/foresight](http://www.united-church.ca/communications/newsletters/foresight).

To receive an e-mail notifying you that the newest issue of Foresight has been posted online, please contact Human Resources at 1-800-268-3781 ext. 3161, or by e-mail: [4sight@united-church.ca](mailto:4sight@united-church.ca). Comments or suggestions are always welcome.

### In the Mail

In June 2009 the Annual Report of the Pension Plan 2008 and, for active members, the personal Pension Statement with the Companion Guide, were mailed. If you didn’t receive one or both of these, please call the United Church Pension and Benefits Centre at 1-888-657-4607.