



Pension Newsletter

Issue 30, November 2015

Decisions from General Council 42

Although not bound by them, the Pension Board will be reviewing the decisions made at General Council 42 with a lot of care and consideration over the coming months. Resolutions passed by the Council's Bakeapple Commission will be referred to the Responsible Investment Working Group. This working group is the body that will evaluate the decisions within the framework of the multiple considerations that must be weighed in large-scale investment policy decisions related to the pension plan fund. As Pension Board Chair Marcus Robertson commented to *The Observer* recently, the board's focus will continue to be on "fulfilling its fiduciary duty to plan members."

Investment Income: Important and Hard to Predict

Since 2009, almost every issue of *Foresight* has pointed to unstable or unpredictable investment income as one of the major points of focus for the Pension Board. The loss of predictable, stable investment income levels is one of the main reasons why our pension benefits have not been increased since that time.

Why? That's harder to explain. If the amount of money in the fund was equated to a tree, where the size of the tree as it grows through the years was similar to the monetary value of the pension fund, it might be a bit easier to picture the situation. As a gardener plans a garden, they have to think long term. The tree is small, so the plants around it will be sun lovers for a while, then transition to shade plants after a few years.

That's how the fund works for a pension plan: There must be X amount of money available in the future to pay the promised benefits to all members. That amount is determined through actuarial calculations. (See a simple definition of 'actuary' at: <https://simple.wikipedia.org/wiki/Actuary>).

The challenge for the gardener and the investment fund manager is "Does the tree (or fund) grow at a consistent rate?" For the gardener, the weather has some bearing on the yearly result, but the tree will grow at more or less a consistent rate. For many years leading up to 2009, the investment income of the pension fund could also be counted on to grow at a consistent rate. That's no longer the case. For our gardener, that might look like an ice storm that breaks the tree and reduces its size by 10 feet after a few great growing seasons. For our pension fund, investment

income can be steady for a time and then plummet unexpectedly. All of a sudden a surplus in the fund is drastically reduced.

The gardener who knows that the trees aren't growing as fast because of an ongoing drought also knows that they'll need to take steps to increase the shade for their garden by planting more trees to make up for the fact that the first tree isn't growing as well as expected.

Similarly, the low interest rates earned by the investments in our pension fund mean that to be able to have enough money in our fund today to satisfy the regulations that govern pension plans in Canada, the fund has to have more value now, or a greater principal, than it would if the interest rates were higher.

2015 is a good example. The pension plan fund was in good shape for the first quarter of the year, but in the most recent two quarters, the value of the fund fell (investments lost value). This uncertainty over the last few years is why an increase in benefits has not been granted: the surplus in the fund is still vulnerable to these market inconsistencies. Marcus Robertson, Pension Board Chair, recorded a short video that explains the priorities of the board. View it on youtu.be/YGoSpx0qjVU.

Settled on a Retirement Date? Call the Benefits Centre!

Contact the Benefits Centre at least **three months before** your planned retirement date or your pension will not go into your bank account on your retirement date. For example, if you are planning to retire July 1, please ensure you contact the centre before April 1. Call the United Church Benefits Centre at 1-866-859-5025.

Contact Us

To update your e-mail or request the *Annual Report* (or other printed resources, including ADP forms): **MinistryandEmployment@united-church.ca**;
PensionBoard@united-church.ca.

Addresses

Treasurers: Update active member addresses via the applicable ADP payroll input form (available on request).

Pensioner or Deferred Members: Contact the Benefits Centre directly at 1-866-859-5025.

Questions?

Policy and Governance

Questions are welcomed at the Ministry and Employment unit, General Council Office: 1-800-268-3781 ext. 3161; by e-mail: **PensionBoard@united-church.ca**.

Specific to You

Active Members: Call the Benefits Centre at 1-866-859-5025. Have your employee number handy.

Pensioners Only: Direct benefit payment questions to RBCDexia at 1-800-668-1320.