The Pension Plan of the United Church of Canada
Funding Policy

A. GENERAL

The Pension Plan of The United Church of Canada (the "Plan") is a multi-employer pension plan maintained for the benefit of eligible employees of Participating Employers ("Participating Employers"). Participating Employers include pastoral charge employers (i.e., pastoral charge and mission units of the Church having members employed in pensionable service) and certain administrative employers, organizational employers and conditional employers.

The Executive of the General Council (the "Executive") is the Administrator ("Administrator") pursuant to the Pension Benefits Act (Ontario), and has established the Pension Board to support the Executive in governing, managing and operating the Plan and the Fund (i.e., the assets of the Plan) in accordance with the provisions set out below. The Executive continues to be responsible for overseeing all aspects of the Plan and the Fund, as well as the activities of its delegates (e.g., the Pension Board).

One of the documents which the Board has established in support of the Plan's goals, is the Funding Policy (the"Policy"), as set forth herein.

B. PURPOSES

The purpose of the Funding Policy is to:

- promote the long-term security of accrued benefits;
- allow for stable and predictable contributions from Participating Employers and members;
- provide guidelines for a buffer against future adverse events.

The Policy will:

1. Guide decisions of the Board and all its delegates concerning Plan funding and contribution and benefit levels, based on principles in the Statement of Beliefs and Guiding Principles (the "Statement") including:

    - 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 (including, without limitation, their financial circumstances) should also be considered.

    - The Administrator and all its delegates should strive to provide a retirement income from the Plan which generally maintains its real value over the long-term subject to available funding and to the provisions of the Funding Policy

    - Funding levels must ensure a high level of certainty regarding the security of benefits under the Plan.

- Equity among the membership generations is desirable in terms of contribution levels and allocation of surplus to fund future benefit upgrades or Plan improvements.

2. Articulate such guidance through clearly defined steps, to communicate with all stakeholders, particularly Plan members and their beneficiaries; and

3. Promote good governance of the Plan and the Fund, including compliance with all applicable legislation and documentation. Within the context of Plan funding, this means maintaining sufficient funding of the Plan, in concert with benefit levels deemed by the Board to be appropriate and affordable. This is a particular issue for multi-employer plans, as benefit levels may be decreased if the level of contributions is deemed inadequate and increasing contributions is not feasible.

C. POLICY REVIEW

The Policy is a living document and should be reviewed for applicability under various economic conditions and Plan situations such as a significant change in asset performance or mix or changes in the beliefs and guiding principles or Plan design, with the over-riding goal of Plan sustainability. In any event, it should be reviewed periodically, typically every three to five years.

D. ACTUARIAL VALUATIONS

1. Actuarial valuations will be conducted at least every three years to comply with legislation or regulatory requirements or if the Administrator deems it to be warranted. Whenever an actuarial valuation is conducted, consideration should be given to undertaking an asset liability study and/or experience study.
2. The selection of actuarial methods and assumptions underlying ad-hoc actuarial studies and other actuarial funding valuations should be consistent with the dual goals of targeting stable contribution rates for Plan members and Participating Employers while, at the same time, striving to ensure that assets remain sufficient to fund the Plan.
3. In selecting actuarial assumptions and methods, it should be assumed that the Plan will remain a Going Concern.
4. The modified aggregate cost method and other appropriate methods may be used for the actuarial valuation of the Plan.
5. Smoothing methods may be applied, with a smoothing period as permitted by legislation.
6. Actuarial assumptions will be best estimate assumptions, with an appropriate margin for adverse future deviations in experience. The discount rate is based on the long term strategic asset mix as set out in the Statement of Investment Policies and Procedures ("SIPP") and the long term expected passive returns recommended by the external actuary. The discount rate may include margin in addition to the explicit PfAD required by legislation.
7. Actuarial valuation results for ad-hoc actuarial studies could include projections of funded status beyond the date of the actuarial valuation to permit a review of medium to long term funding.

E. MANAGING FUNDING LEVELS

Making a decision on the level of reserves to hold in a pension plan is partly science and partly art. If there are medium/long term improvements in funding which are perceived to be sustainable, benefit improvements and/or future contribution reductions may be considered.

Guidelines include:

1. The Administrator should strive for a minimum funding “buffer” against adverse experience before allowing for possible benefit improvements and/or contribution reductions.

   The buffer should be determined using the actuarial bases employed in the Plan’s most recent funding actuarial valuation report. The minimum buffer should be reviewed periodically in light of such factors as intergenerational equity, changes in funding regulations, maturity of the Plan, and market conditions.

2. The buffer required before benefit improvements can be considered is such that:
   (i) Solvency Assets must be at least equal to Solvency Liabilities, and
   (ii) As measured on both a future and past service basis, there should be a Going Concern Funding Excess of at least 15% of the sum of the Going Concern Liabilities and the provision for adverse deviation in respect of the Going Concern Liabilities.

3. To the extent that any benefit improvements are granted, the conditions in 2 (i) and 2 (ii) must be maintained.

4. Future contributions should generally cover the cost of future benefit accruals.

5. After taking into account a holistic view of the Plan’s current and projected future financial status, future contribution reductions may be considered, instead of or in addition to benefit improvements.

Benefit improvements may be implemented in respect of either or both of past service and future service occurring after the effective date of the improvements.

At all times, Plan benefit and contribution levels must be developed and maintained in compliance with applicable legislation and regulatory requirements, including any prescribed limits thereof.

F. ANNUAL CONSIDERATION OF BENEFIT IMPROVEMENTS

1. In the first quarter of each year, staff should obtain estimated funded positions at December 31 of the prior year on going-concern and solvency bases.

2. Typically, in the Spring of each year, PPAC should review affordability for benefit improvements based on funded positions determined as at December 31st of the prior year. Market activity since year-end should be incorporated into the decision-making process.

3. PPAC will provide a preliminary recommendation with respect to a potential benefit improvement, to the Board at its June meeting.

If based on preliminary valuation results, a benefit improvement is being considered

4. In valuation years, PPAC should review final valuation results at its September meeting, before formulating a recommendation to the Board with respect to a possible benefit improvement.

5. The recommendation in favour of a benefit improvement should be presented to the Board for consideration at the October Board meeting.

6. If a benefit improvement is approved by the Board, staff would begin implementation following the October Board meeting, for an effective date of January 1 of the following year.

G. ADDITIONAL CONSIDERATIONS

1. If there are short-term concerns with Plan funding, contribution and benefit levels should remain unchanged. No benefit improvements should be granted until the funding concerns have been addressed.

2. If there are medium/long term concerns with funding, consideration should be given to undertaking an ad-hoc actuarial study to determine what, if any, changes might be required to benefit levels, contribution rates and/or investment policy.

3. In the event that an actuarial valuation indicates that a continuation of current contribution levels is inadequate to satisfy legislative or regulatory requirements, benefit reductions and/or contribution increases will be considered unless an alternative solution can be determined and implemented before any applicable deadline.

4. As a multi-employer pension plan, subject to applicable pension laws and the Plan terms, benefits accrued for past service may be reduced if the Board determines it necessary to do so. That said, applicable pension laws with respect to reduction of past service benefits vary from jurisdiction to jurisdiction. Given the practical challenges to evenly reducing past service benefits for all members, past service benefit reductions are not perceived to be a readily available option to address funding concerns.

Certain unforeseen or unusual economic events or demographic changes may require the Board to deviate from the Funding Policy in order to act in the best interests of Plan members and other beneficiaries.

GLOSSARY

Word/Term	Description
Asset Mix	Percentage of an investment portfolio that is invested in each of the three major classes of assets: (1) cash and equivalents, (2) Fixed Income and, (3) Equities. • "Cash and equivalents" are investments securities that are meant for short-term investing; they have high credit quality and are highly liquid. • "Fixed Income" investments generally pay a return on a fixed schedule, though the amount of the payments can vary. Individual bonds may be the best known type of Fixed Income security, but the category also includes bond funds, exchange-traded bond funds (ETFs), Certificates of Deposit (CDs), and money market funds. • "Equities" are pieces of a company, also known as "stocks." When you buy stocks or shares of a company, you're basically purchasing an ownership interest in that company. A company's stockholders or shareholders all have equity in the company, or own a fractional portion of the whole company.
Board	The Board or Pension Board is comprised of individuals appointed by the General Council Executive to perform certain oversight functions associated with the Plan.
Fund	The assets of the Plan including assets received from prior funds and investment income and contributions remitted by members and Participating Employers.
Going Concern	Going concern means "continuing". Going-concern liabilities represent the expected cost of the promised pension benefits based on the assumption that the Plan is continuing. The terms Going Concern Liabilities and Going Concern Funding Excess as used herein refer to concepts appearing in the most recent funding actuarial report for the Plan.
Plan	The Pension Plan of The United Church of Canada.
Participating Employers	Administrative employers, conditional employers, organizational employers and/or pastoral charge employers who are required to or have elected to participate in the Plan.

Plan Solvency	Funding actuarial reports determine the Plan’s financial position and contribution requirements on a Solvency basis, in addition to the Going Concern basis, in accordance with legislative and regulatory requirements. “Solvency” results are based on the assumption that the Plan is winding up or closing (in contrast to the assumption that the Plan is continuing to operate or remaining a “Going Concern”). The terms Solvency Assets and Solvency Liabilities as used herein are as defined under the Ontario Pension Benefits Act and Regulations thereunder.