STATEMENT OF BELIEFS AND GUIDING PRINCIPLES

STATEMENT OF BELIEFS AND GUIDING PRINCIPLES FOR THE PENSION PLAN OF THE UNITED CHURCH OF CANADA

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 as the Plan Administrator, has adopted the following Beliefs and Guiding Principles on April 15, 2019. While numbered for convenient reference, these statements are all of equal importance in the operation of the Plan. To the extent of any inconsistency between this Statement and the Plan text or funding agreement, the latter shall govern.

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

4. All Plan-related activities will comply with applicable legislation. They will also seek to support relevant Church human resources and compensation policies, and Pension Board policies.

5. All Plan-related activities will be based on honesty, transparency and full disclosure where relevant and appropriate.

Plan Design

6. The design of the Plan is based on the premise that saving for retirement is a shared responsibility and is dependent on government, employer and individual saving initiatives. A member who retires at the normal retirement date as defined in the Plan, with 35 or more years of credited service in the Plan should receive a level of benefit from the Plan designed to provide a reasonable retirement income when combined with government retirement plans and personal savings.

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 should be affordable to pastoral charges, other participating employers and members. Although members are required to contribute to the Plan, the pastoral charges and other participating employers should pay the greater share.

10. Demographic, market and interest rate risks should be borne by the pastoral charges and other participating employers.

11. The Plan should provide a retirement income for the lifetime of the Plan member, protection for surviving spouses and beneficiaries and benefits of relatively equal value to members with or without a spouse.

12. 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.

13. 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.

14. 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.

15. Accrued benefits belong to members from the date of enrolment in the Plan.

Funding

16. Funding levels should ensure a high level of certainty regarding the security of benefits under the Plan.

17. Contributions from the pastoral charges, other participating employers and members should be stable and predictable.

18. The funding mechanisms used for the Plan must be tax effective.

19. Funding of the Plan, including actuarial assumptions and methods, should assume that the Plan will remain a going concern.

20. Subject to plan documentation and applicable law, surplus may be applied to meet contribution obligations of the pastoral charges, other participating employers and members. Members do not have any unilateral right to access surplus while the Plan is ongoing or to force a wind-up of the Plan.

21. Cost effectiveness in spending and efficiency in operations will guide utilization of the Fund assets and Church resources in Plan related activities.

22. 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

23. Plan maturity and the evolving demographics and liabilities of the Plan should be considered when choosing asset classes for investment.

24. Investments (including non traditional assets) should be chosen with a long term view to seeking returns at an appropriate level of risk and should be used only if they are fully understood, well proven in the market place and priced appropriately. Investment processes should be cost-effective and prudent.

25. Responsible investing is a positive force influencing corporate behaviour through the encouragement of responsible actions. Within the scope of fiduciary obligations to plan members, investment in entities which embrace and demonstrate responsible environmental, social and governance practices will be taken into consideration. Corporate engagement, proxy voting and cooperation with other investors, can advance the values expressed by the church and church partners wile generating good financial returns.

26. The Fund should be actively managed and appropriately diversified (among asset classes, geographies, industries etc.) to add value and to limit volatility over the long term.