2021 PENSION ANNUAL REPORT

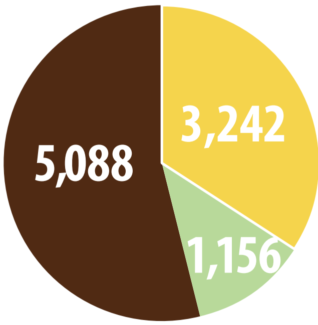
THE PENSION PLAN OF THE UNITED CHURCH OF CANADA

see
uccbenefits.ca >>> **“Pension”**

FAST FACTS about your Pension Plan

As at December 31, 2021

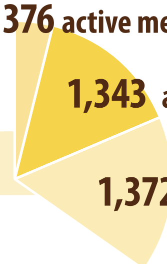
Plan Demographics



Number of pensioners

Number of active members

Deferred members



Pensioner: receiving pension

Active: currently employed by the United Church

Deferred: has earned a pension but is not yet receiving it

Average length of time people contribute to the plan **19** years

Average length of time people receive a pension **24.5** years

76 Average age of pensioners

64 Average age of plan members at retirement

Average age of active members **54**

Total pension benefits paid per year

2021: $73,140,000

2020: $71,255,000

2019: $66,778,000

2018: $67,608,000

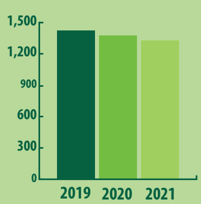
2017: $66,628,000

Includes refunds and death benefits

243 Members joined in 2021

200 Members retired in 2021

Number of Participating Employers



2019: 1,422

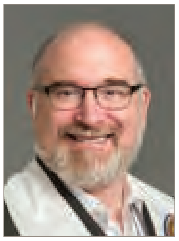
2020: 1,375

2021: 1,330

3 over age 100!

245 Pensioners over age 90

MESSAGES TO THE MEMBERSHIP




From the Moderator and General Secretary

Dear Members,

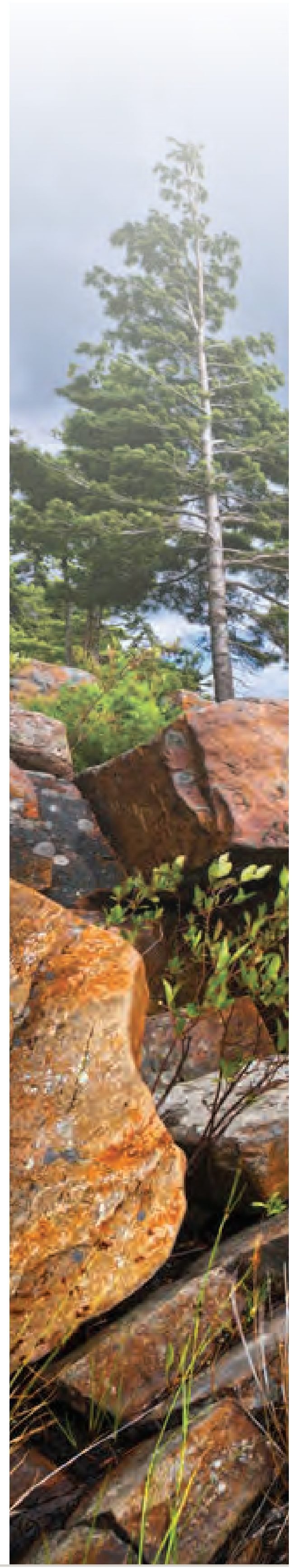
Welcome to the Annual Report of the Pension Plan of The United Church of Canada. In these pages you will find updates from the Board and committee chairs, financial details of the plan, information on responsible investment activities, and the ever-popular Fast Facts. More detailed information is available online at uccbenefits.ca.

One of the conversations around our pension plan this last year has been about plan members with smaller pensions as a result of shorter service or lower contributions. Members have asked how the plan can improve their benefits so that they have a more livable retirement income. The General Council Executive, as Administrator of the plan, has looked at this question carefully. A registered pension plan does not allow for discretionary options. It is a highly regulated vehicle through the *Pension Benefits Act* (Ontario), the Canada Revenue Agency, and regulatory authorities. Because it cannot address the issues of retirement equity, a pension plan is not the appropriate vehicle to address the issues of a guaranteed livable income benefit. A pension plan cannot deliver a guaranteed livable income benefit like that for which many, including the United Church, are advocating in Canada. A pension plan is designed to be a contribution-based tax-deferred resource for retirement that augments government retirement funds and personal savings. Supplemental plans can be established, but they are costly to fund and attract significant tax liabilities.

The Executive recognizes the limitations of registered plans while affirming their benefits, and it is commited to our defined benefit plan as a valued and important retirement resource for those who have served in paid positions.

The plan was able to improve benefits again, for the third year in a row, due to positive economic conditions and the prudent management of the assets.

Marcus Robertson concludes his last term on the Board in June 2022. Marcus has served as Chair of the Board for nine years and, previously, as Chair of the Pension Plan Advisory Committee. He has brought his actuarial expertise, his commitment as a member of the United Church, and his great wisdom and good will to the roles. His service has been exemplary. Thank you, Marcus. Blessings in your future endeavours.



Anne Soh has been appointed Chair of the Pension Board by the General Council Executive. Professionally, Anne is Vice President and Plan Actuary of the Ontario Municipal Employees Retirement System (OMERS). She has chaired the Pension Plan Advisory Committee and has been a member of the Board since January 2021. Thank you, Anne, for discerning a call to this leadership role.

Thank you to staff of the plan who have managed and administered it remotely for the duration of the pandemic. It has been no small feat to have maintained service levels while also engaging a three-year administration system implementation. Thank you all for your dedication and hard work!

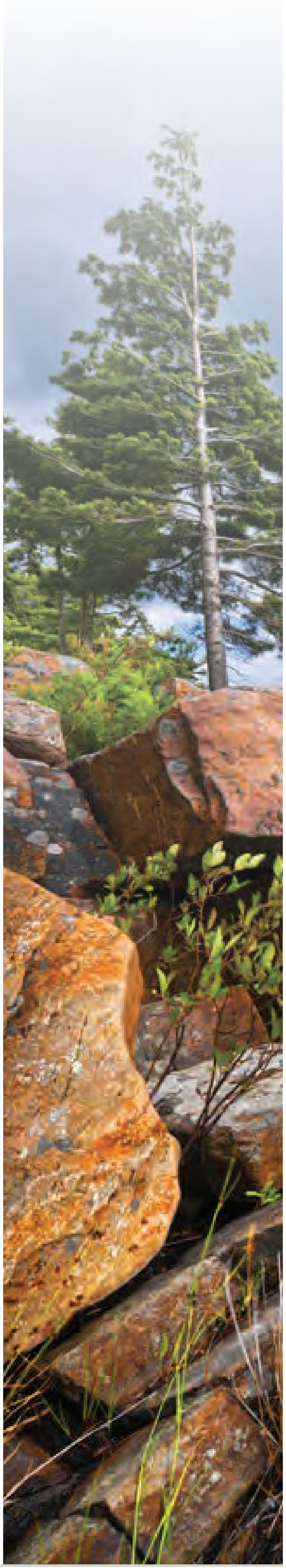
Blessings to all,,

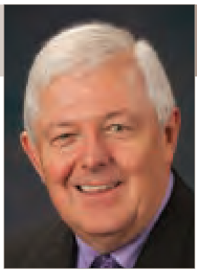
Richard Bott

The Right Rev. Dr. Richard Bott
Moderator

M Blair

The Rev. Michael Blair
General Secretary





From the Chair of the Pension Board

Dear Members,

Amid geopolitical unrest and the continuing pandemic, our pension plan continues to be in a strong financial position, and the Pension Board was able to approve a pension increase at January 1, 2022. Although increases have been approved three years in a row, we caution that increases are not guaranteed and future increases will depend on the continued financial strength of the plan. The Pension Board regularly monitors the financial health of the plan and applies the terms of the Funding Policy to determine whether increases can be considered.

Responsible investment

We continue in engagement activities and sponsorship of shareholder proposals. One such proposal was with Constellation Software and urged the company to improve its diversity, equity and inclusion (DEI) practices. The proposal requested the preparation of a report on the company's plans to identify, address, mitigate, and dismantle racial disparities within its workforce. Despite Constellation's Board recommending against it, the proposal was successful, with 62% of shareholders voting in favour.

The plan signed on to the Canadian Investor Statement on Climate Change sponsored by the Responsible Investment Association, with a commitment to net zero emissions by 2050. This will be a long-term project for the plan and, like most plans, we are just starting the journey.

In March 2022, the Board put in place an exclusion on Russian and Belarussian securities.

In appreciation

I want to thank our dedicated Board and committee members who lend their time and talents to the governance of the Pension Plan of The United Church of Canada and pension staff who continue to work from home while the General Council Office remains closed. Special thanks go to David Gilliland and Doug Greaves, who completed their maximum nine years of service on the Board. Their diligence and expertise will be missed.

I also completed my time on the Board and attended my last meeting in June 2022. It was an honour serving as Chair for the past nine years and I thank the General Council Executive for entrusting me with this opportunity. I am pleased to announce that Anne Soh has been appointed Chair by the Executive. I leave things in her very capable hands. Welcome, Anne.

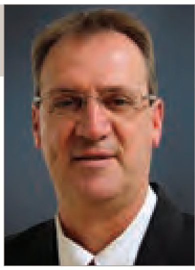
The remainder of this report accounts for the fund's performance and administration in 2021.

On behalf of the Pension Board,

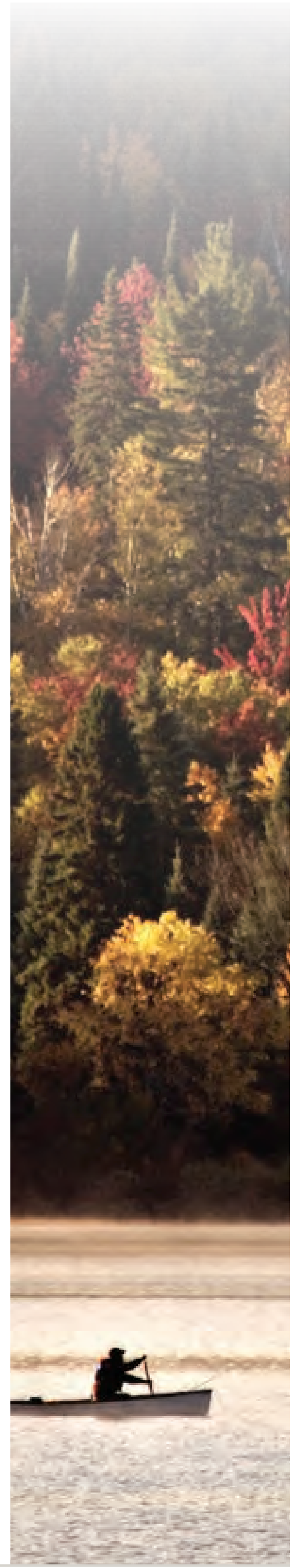
Marcus Robertson

Marcus Robertson, Chair

For member bios, visit The United Church of Canada Benefits Centre Document Library.



From the Chair of the Pension Plan Advisory Committee



Dear Members,

My first year as Chair of the Pension Plan Advisory Committee (PPAC) is complete and I'm pleased to provide an update on the committee's activities during 2021.

Plan members have enjoyed a pension increase for the third year in a row

Based on results of ongoing quarterly tests of the plan's funded position, PPAC recommended to the Pension Board a 4% increase to the pensions of retired and inactive members effective January 1, 2022, and a temporary increase to the rate at which active members earn their pension in 2022.

Valuation of the plan's funded position as at December 31, 2021

PPAC worked with Mercer and pension staff to conduct a valuation of the plan at December 31, 2021. Results of the valuation revealed that the plan remained well-funded on both a going-concern and a solvency basis at December 31, 2021. PPAC recommended the valuation to the Pension Board for filing with regulatory authorities, which the Board approved at its meeting on June 14, 2022. The plan will not be required to file another valuation for three years, which will provide contribution and benefit stability during this period of economic and geopolitical upheaval.

Pension and benefits administration system

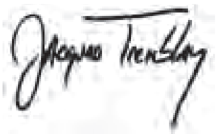
Members of PPAC are also proud to be part of the implementation of the new pension and benefits administration system, which continues to be on track and proceeding well. PPAC receives quarterly updates on the Pension and Benefits Administration Project. Some members participate on the Steering Committee, which works hard with LifeWorks to ensure the success of the project to implement the new system.

Risk framework

PPAC's Risk Assessment task group is working to develop a risk framework and risk appetite statement in coordination with the plan's Funding Policy and Pension Board strategy to ensure financial good health for the pension plan and its members.

Members are happy to contribute time and expertise toward the success of the Pension Plan of The United Church of Canada. On behalf of all members of the committee, I recognize and thank General Council Office staff for their contribution.

On behalf of the Pension Plan Advisory Committee,



Jacques Tremblay, Chair

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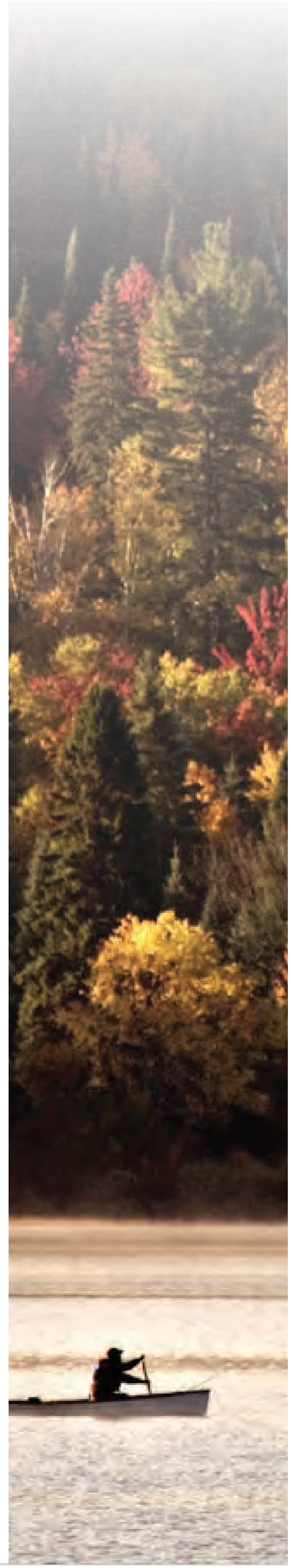


From the Chair of the Investment Committee

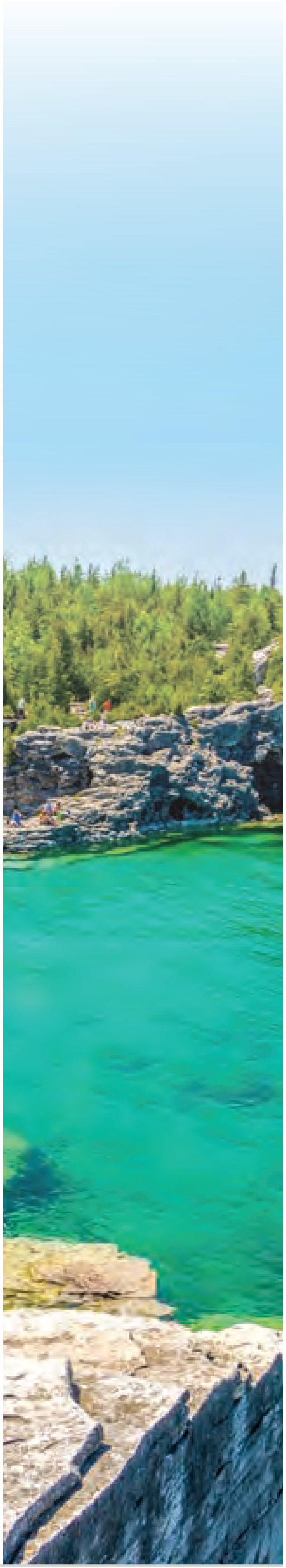
Dear Members,

The year 2021 was a very good year. The fund provided a gross annual return of 8.6%, about 2.7% better than its policy return. This is even more exceptional given that the fund's bond portfolio, representing over half of the assets, returned –2%. Bonds did poorly because of rising interest rates in 2021. This means that our equity positions did extremely well to offset; global and Canadian equities both provided returns of 24%. Not to be outdone, our real estate investments returned 21%, and private equity investments returned 34%. The asset value of the fund hit another new high, closing the year at $1.66 billion, maintaining the plan's well-funded position.

Starting in 2022, the effects of government stimulus and ongoing pandemic supply chain issues sparked the highest inflation the world has seen in 40 years. Annual inflation notices of 9% were common. To combat inflation, central banks started to raise interest rates. This not only began reducing inflation but also slowed the economy. Then Russia invaded Ukraine, and China instituted drastic pandemic lockdowns, setting off another spiral of supply chain issues and higher oil and gas prices. Interest rates have risen and stock markets have fallen, leading to the plan giving up gains realized in 2021. That said, even with these negative markets, the funded position of the plan remains strong, supporting the benefit increases the Board granted in 2022.

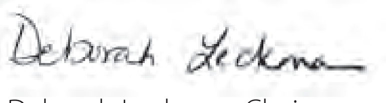
Unfortunately, in the short term, inflation, supply chain issues and the uncertainty of recessions will continue to weigh on markets. The pension fund continues with its conservative allocation, with most assets invested in bonds, and no planned changes. The committee understands the fund is a long-term investor and that there are periods of volatility and negative returns. Over time, markets do recover and return to their long-term upward trajectory.

At the beginning of 2021, to guide its work, the committee developed some objectives for each asset class. For 2021, the committee reduced its exposure to Canadian equity, changing the target allocation to 6% from 12%, and increasing the allocation to global equity to 27% from 21%. The rationale for the change was largely driven by concerns about the concentration of energy and financial stocks in the Canadian market, as well as the greater opportunities available in global equity. For 2022, the Investment Committee is looking at allocating capital to private equity and possibly infrastructure. The committee hopes to continue the strong returns the fund has experienced in its current alternative asset allocations.



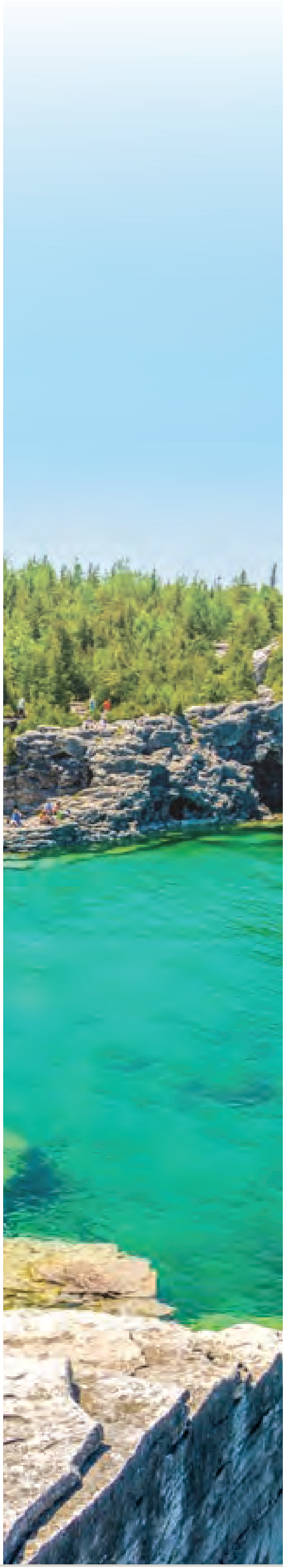
The committee has experienced four departures over the last year, largely from members completing their three-term maximum of nine years: Jim Walker, Claire Kyle, Bill Mackenzie, and Asif Haque. Their wisdom and guidance will be missed. We continue to attract exceptional talent to join the committee and welcomed Steve Smith, Doug Chau, Adam Buzanis, and Deborah Ng. All four are experienced senior investment professionals with deep knowledge of pension funds. We look forward to them adding value to and being an integral part of the collegial nature of the committee. In 2022 we have finally started meeting in person, and I look forward to fewer virtual interactions. My thanks to all the members of the Investment Committee for their dedication and professionalism over this turbulent period.

On behalf of the Investment Committee,



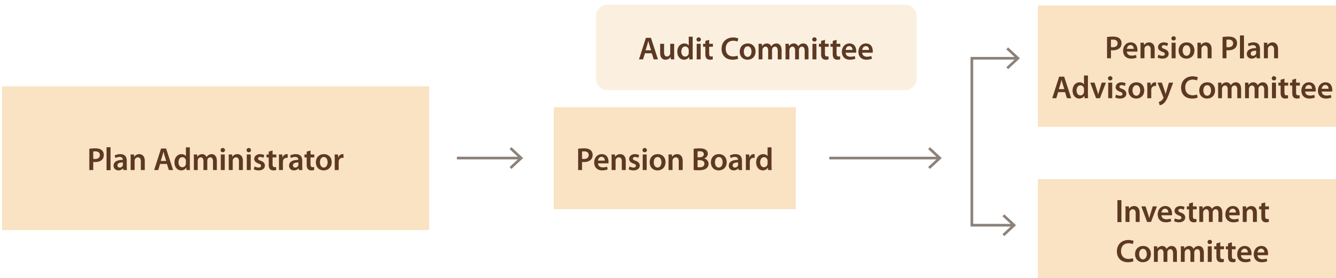
Deborah Leckman, Chair

For member bios, visit [The United Church of Canada Benefits Centre Document Library](#).



GOVERNANCE

Pension Plan Governance Structure



Membership and Appointments

Appointment of Pension Board Chair

At its meeting on April 30, 2022, the General Council Executive approved the appointment of Anne Soh, FSA, FCIA, as the next Chair of the Pension Board. Anne served on the Pension Plan Advisory Committee since 2011, assuming the chair from November 2013 to December 2020. Following completion of her third and final term on PPAC in December 2020, Anne was appointed to the Pension Board.

Anne Soh is Vice President and Plan Actuary at the Ontario Municipal Employees Retirement System (OMERS). An executive with over 30 years of experience in the pension and benefits industry, Anne advises the OMERS boards of directors on plan funding and sustainability matters, and oversees the in-house actuarial department. Anne also serves on the Board of Directors and the Finance and Audit Committee of Canada's National Ballet School. Anne is a Fellow of the Canadian Institute of Actuaries and has an Honours Bachelor of Science degree from the University of Western Ontario. She is also a graduate of the ICD-Rotman Directors Education Program.

Anne's term as Pension Board Chair will begin after the June 2022 meeting of the Board where Marcus Robertson, FSA, FCIA, will complete his third and final term as chair. The General Council Executive wishes to thank Marcus for his nine years of diligent leadership.

Other Appointments

Pension Board

There has been one addition to Pension Board membership since the last annual report. The General Council Sub-Executive approved the appointment of Darwin Bozek to the Board at its March 31, 2021, meeting. Darwin's career includes many years in leadership, including his current role as CEO and President of the Alberta Pensions Services Corporation, a position he has held for nearly four years. He is also a graduate of the Institute of Corporate Directors.

Three specialist members of the Pension Board—David Gilliland, Doug Greaves, and Marcus Robertson—complete their third and final terms on the Board in June 2022. In addition, Sharon Aylsworth will soon complete her three-year term as a member of the General Council Executive and, with it, her appointment as a GCE representative to the Pension Board. The Board and staff appreciate the diligence and wise counsel of these members and their willingness to offer their time and expertise. The Board is recommending three new members to the Nominations Committee of the General Council Executive for appointment to the Board prior to its October 2022 meeting.

Pension Plan Advisory Committee

Steven McCormick left the Pension Plan Advisory Committee following completion of his second term in July 2021 due to competing commitments. Juan Diz and Kevin Pyo were appointed to the committee in fall 2021. Both Juan and Kevin have experience with system implementations and data administration, which are a major focus for PPAC and staff.

Investment Committee

Four members left the Investment Committee in 2021, largely from members completing their three-term maximum of nine years: Jim Walker, Claire Kyle, Bill Mackenzie, and Asif Haque. Following their departure, the committee welcomed Steve Smith, Doug Chau, Adam Buzanis, and Deborah Ng, all of whom bring deep knowledge of pension funds with specialties in various asset classes.

Please refer to the complete list of all members who serve on the Pension Board, PPAC, and the Investment Committee in the Benefits Centre Document Library. There you will find a brief biography of each member, detailing their expertise with pensions, finance, human resources, or the skills and perspectives they bring to the plan.

Fiduciary Responsibility and Due Diligence

The Pension Board, PPAC, and Investment Committee place fiduciary responsibility to members and due diligence as their highest goals.

Fiduciary responsibility includes

- duty of loyalty to beneficiaries of the plan (avoiding conflicts of interest, not putting personal interests ahead of the interests of plan beneficiaries, and not profiting personally from the fiduciary role)
- duty of care for the beneficiaries of the plan (using due diligence and skill to be well informed of all material information available in order to make the best decisions)
- duty of even-handedness
- duty to provide adequate disclosure
- duty to protect confidential information

The fiduciary standard is not perfection. Establishing due diligence is key and includes

- considering a range of options to make reasonable choices
- seeking expert advice where appropriate
- documenting/minuting the due diligence process
- keeping pension records as long as possible and practical
- reviewing the governance process and documentation periodically to ensure it meets current best practices

For a detailed explanation of the reporting structures and areas of responsibility of the governing bodies of the pension plan, please view the Pension Plan Governance Chart in the Benefits Centre Document Library.

Investing Responsibly

The Pension Board, its committees, and staff continually work to improve responsible investment and engagement activities. The pension plan became a signatory to the United Nations Principles for Responsible Investment (UN PRI) in 2017 and annually files reports on their activities. No report was filed for 2021 as the UN PRI is substantially updating their reporting methodology and their systems were not open for filing. We look forward to better systems in 2023, with increased focus on climate change initiatives.

In 2022, the pension plan signed on to the Canadian Investor Statement on Climate Change. With that commitment, the plan has a responsibility to establish long-term and interim greenhouse gas emissions reduction targets that are based on climate science and are aligned with the ambition of achieving net-zero emissions by 2050 or sooner. This is a major commitment that will take time and additional resources to accomplish. Regular updates will be provided as we work to achieve this goal.

In 2021 the pension plan participated with the Shareholder Association for Research and Education (SHARE) in engaging 25 companies on 59 issues. The issues addressed were varied, including climate change, reconciliation, sustainable finance, and racial justice. Some examples include the following:

- SHARE reached out to Northland Power Inc. to review the company's human capital disclosures in its 2020 environmental, social, and governance (ESG) report. SHARE emphasized that issues related to just transition—those related to preparing the workforce for and supporting workers during the transition to a low-carbon economy—were fundamental to the company's overall ESG strategy, and that decent work issues should be prioritized alongside the company's fulsome decarbonization strategy. While the company has made significant progress in the past year on its human capital strategy, SHARE reiterated the need for continued improvement on its disclosure and governance structures related to decent work, just transition principles, and gender and racial diversity.
- SHARE met with PepsiCo to discuss their racial justice commitments. PepsiCo was encouraged to disclose race/ethnicity demographic data outside the United States to enable investors to measure diversity and advancement opportunities on a global scale for visible minorities, including Black, Indigenous, Latinx/a/o, and Asian employees. PepsiCo was also encouraged to adopt more formal targets to further increase racial and ethnic representation across its global workforce and implement formal plans to address any gender or racial pay gaps. On board diversity, PepsiCo has a Sustainability, Diversity and Public Policy Committee Charter, which is a good first step.
- SHARE inquired about Royal Bank's progress in developing a human rights position statement incorporating the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP). Royal Bank responded by providing details on their updated position statement, which has a reference to Indigenous rights but falls short of explicitly committing the company to upholding UNDRIP. SHARE has continued the dialogue with Royal Bank.
- The pension plan filed a shareholder proposal with Alphabet Inc. asking the board to conduct a human rights impact assessment on the company's new advertising system, FLoC. This engagement was coordinated with an alliance of investors through the Investor Alliance for Human Rights. The proposal was withdrawn because Alphabet agreed not to implement FloC, and to meet with SHARE to discuss how the company is identifying

and addressing potential human rights risks and impacts related to its advertising technology.

- SHARE and a group of other members of the Investor Alliance for Human Rights engaged Boralex Inc. to discuss reports highlighting pervasive forced labour risks in solar panel supply chains. The company and its peers are being asked to map the value chain to identify supply chain relationships connected to the Xinjiang Uyghur Autonomous Region, disengage from business relationships with suppliers connected with forced labour, and publicly disclose its progress on these efforts. The company indicated that, while they have not developed any major solar facilities in the last few years, they have been updating their procurement charter and attempting to identify solar suppliers outside China's Xinjiang region. SHARE and the other investors will be encouraging the company to enhance its human rights commitments across its supply chain, and related due diligence disclosures.
- The pension plan filed a shareholder proposal with Constellation Software urging the company to improve their diversity, equity, and inclusion practices. The proposal requested a report on the company's plans to identify, address, mitigate, and dismantle racial disparities within its workforce. Despite the board of Constellation Software recommending that shareholders vote against the resolution at their annual general meeting on May 5, shareholders voted 62% in favour, and the proposal passed.
- As in previous years, a survey of ESG practices was issued to all active investment managers in fall 2021. Overall, the quality of the responses shows a strong commitment to the integration of ESG in the investment process by all of the plan's investment managers.
- Lastly, in March 2022 the plan instituted a Russian and Belarussian securities exclusion as a result of Russia's invasion of Ukraine.

Actuarial Valuation

A valuation of the plan was performed effective December 31, 2021, and was approved at the June 14, 2022, Pension Board meeting for filing with Ontario's Financial Services Regulatory Authority. The plan will not be required to file the next regular valuation for three years, providing three years of contribution and benefit stability.

The valuation showed that the plan was 119% funded at December 31, 2021, on a going concern basis, down from 122% at the December 31, 2019, valuation. Going concern calculations assume that the plan will continue indefinitely in its current form. Calculations reflect expectations of investment returns for various markets and demographic experience of members, such as age at retirement and how long, on average, the members live.

The valuation showed that the plan was 122% funded at December 31, 2021, on a solvency basis, up from 116% at the December 31, 2019, valuation. This means that if the plan had to be wound up on December 31, 2021, it had enough funds to meet all of the pension obligations owed to its active, deferred, and retired members.

Pension Increase

Based on the requirements set out in the Funding Policy and ongoing quarterly tests of the funded postion, the plan was able to provide another pension increase effective January 1, 2022. Retired members will have received the increase at the beginning of April 2022 (retroactive to January).

Financial Statements

Statement of net assets available for benefits
as at December 31, (*amounts in thousands*)

	2021	2020
Assets		
Investments	**$1,647,893**	$1,575,167
Cash	**6,260**	8,519
Amounts receivable	**2,342**	2,216
Interest and dividends receivable	**5,293**	5,596
	1,661,788	1,591,498
Liabilities and trust		
Amounts payable and accrued liabilities	**2,299**	3,854
	2,299	3,854
Net assets available for benefits	**$1,659,489**	$1,587,644

Statement of changes in net assets available for benefits
as at December 31, (*amounts in thousands*)

	2021	2020
Net assets available for benefits, beginning of year	**$1,587,644**	$1,523,225
Increases		
Net gain on sale of investments	**75,572**	49,622
Change in unrealized gains (losses) in the year	**19,954**	33,045
Change in fair value of investments	**95,526**	82,667
Investment income	**39,055**	42,107
Contributions		
Employers	**12,204**	12,349
Members	**8,129**	8,239
	154,914	145,362
Decreases		
Pensions paid	**68,049**	66,135
Refunds	**5,091**	5,120
Administrative, project, and investment expenses	**9,929**	9,688
	83,069	80,943
Change in net assets available for benefits	**71,845**	64,419
Net assets available for benefits, end of year	**$1,659,489**	$1,587,644

Financial Analysis

Fund Performance

The year 2021 was a good one, but the future is daunting.

Our pension fund rate of return on investment was 8.6% in 2021, well above our benchmark goal of 5.7%. In 2021 all equity assets classes performed well, except for some underperformance in Canadian equity. Overall, bond returns were –2% in 2021 as a result of rising interest rates. However, the bond portfolio still managed to outperform its benchmark by 0.5%. In 2021 there were no new allocations, but the Investment Committee agreed that it would systematically review each asset class. The first review focused on Canadian equity, which resulted in a reduction in the target allocation of Canadian equity from 12% to 6% and an increase in the target allocation to global equity, including emerging market equity, from 21% to 27%. Future work will focus on alternative investments, with possible new investments in private equity and infrastructure. It was a very good year for the fund's private equity investments, which realized significant gains from asset sales and returned significant cash. In addition, the fund invested $15 million in a real estate fund that focused on bulk storage facilities in the United States. This was a very successful investment, realizing a gross return of over 40% in the first year. This investment, as well as strong returns in all the other real estate investments, pushed the real estate allocation to its target 8% of fund assets.

So far, the returns for 2022 have been very disappointing, giving up the gains realized in 2021. This isn't surprising given the geopolitical turmoil caused by the Russian invasion of Ukraine and the continued impact of the global pandemic. High inflation is having a very negative impact on bonds as interest rates rise. Higher interest rates have the effect of slowing economic activity, which in turn results in lower return expectations for companies and lower stock prices. Supply chain issues still linger from the pandemic, and they are now compounded by war in Ukraine. Hopefully, as central bankers raise interest rates they can provide a soft landing with lower inflation and only a short period of negative economic

Investment Type	2021	2020	2019
Canadian Fixed Income	45%	47%	46%
Global Fixed Income	6	6	6
Canadian Equities	6	12	12
Global Equities	29	22	23
Real Estate	8	6	6
Private Debt	0	1	1
Private Equity	4	5	5
Cash	2	1	1
	100%	100%	100%

Canadian Fixed Income: Mostly government and corporate bonds

Global Fixed Income: Mostly government and corporate bonds issued in countries outside Canada

Equities: Mostly large corporations' stock, with a market capitalization over $500 million

Real Estate: Pooled Canadian funds, diversified by geography and property type

Private Debt: Mostly secured loans to corporations, similar to bank loans

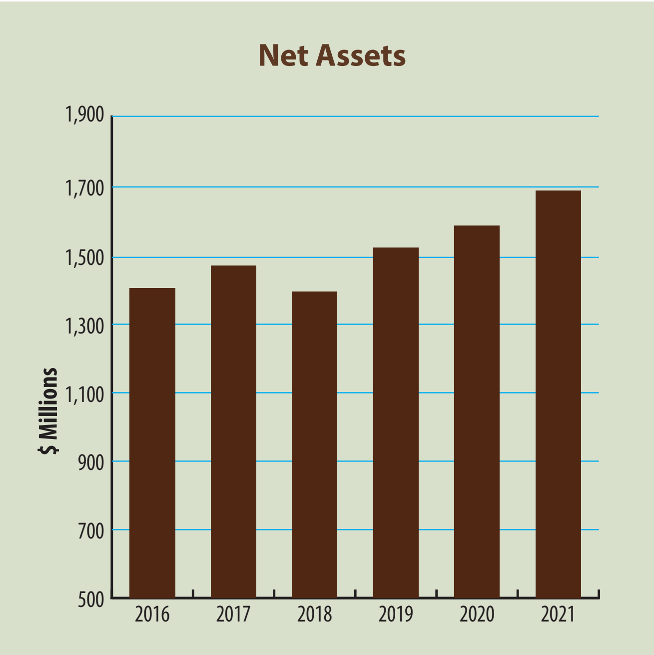
Private Equity: Equity and debt invested with a diversified group of small to mid-sized companies

Cash: Includes guaranteed investment certificates, treasury bills, and cash on hand growth. However, if inflation persists and economic growth does not rebound, the world may be in for a period of stagflation, which will cause more pain in financial markets and cause the world economy to recover more slowly. On the bright side, the pension plan did provide another benefit increase in 2022, and members should have seen that in their bank accounts at the beginning of April. So far in 2022, even with the downturn in financial markets, the pension fund remains in a strong financial position in comparison to the size of pension liability.

Assets in the fund are invested using a prudent investment philosophy, with a goal of providing stable benefits to members over the long term. The target asset mix remains at 55% fixed income and cash/45% equities. The strong equity returns versus negative bond returns in 2021 resulted in the asset mix having a 2% overweight to equities and underweight to fixed income at year-end. The overweight to equities is well within acceptable bounds of the fund's policies. The Investment Committee did not actively rebalance during the year but used necessary redemptions to fund pension payments as a method to rebalance. In the fourth quarter of 2021, the Investment Committee reduced its allocation to Canadian equity in favour of global equities. Through this shift, some rebalancing in favour of bonds was completed, and some proceeds were held in cash to support pension payments in the first quarter of 2022. This explains why the cash position was at 2% at the end of the year versus 1% in prior years.

The fund has 8% of its assets in real estate, which is on target. This year the allocation increased as a result of completing a $15 million investment in a US real estate fund and strong valuation increases in industrial and residential apartment buildings. The fund's allocation to private equity declined to its target 4% because of increased distributions. Lastly, the fund is winding down its current private debt allocations; they are not zero but the value of the remaining investments has become immaterial. The Investment Committee may consider new private debt allocations as it reviews the overall fixed income allocation.

The value of our assets increased by $72 million in 2021 as investment gains and contributions more than offset pension payments.



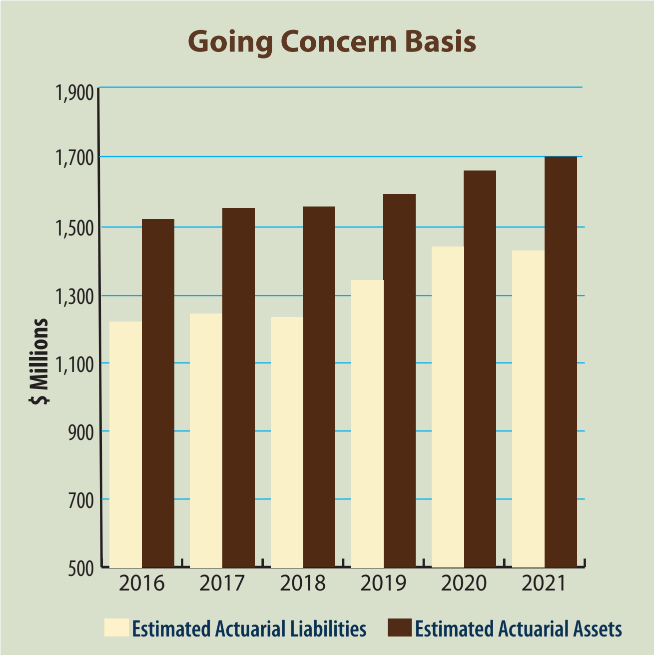
Actuarial Performance

On a going concern basis, our funded position remained strong in 2021.

When valuing the pension plan, a going concern basis assumes the plan and the investments in the pension fund will continue as is well into the future. The actuarial value of the plan assets includes the investment in the fund and the present value of future contributions. It also averages the investment income so that a large gain or loss in any one year does not unduly affect the result. The actuarial liability of the plan is the present value of future payments to pensioners, which means that a decrease in interest rates increases the calculated liability and weakens the funded position of the plan.

The chart shows that the plan has been in a surplus position on a going concern basis, where assets exceed actuarial liabilities, since 2016. This was largely the result of positive investment returns. The plan maintained the surplus position at the end of 2021 whereby assets exceeded actuarial liabilities by an estimated $276 million. The surplus increased in 2021 because assets increased whereas liabilities fell due to higher interest rates. The asset value is smoothed where investment gains are spread over a number of years. This mutes the effect of a large increase in asset values, as experienced in 2019 through 2021, and will mute the impact of large asset decreases likely to occur in 2022.

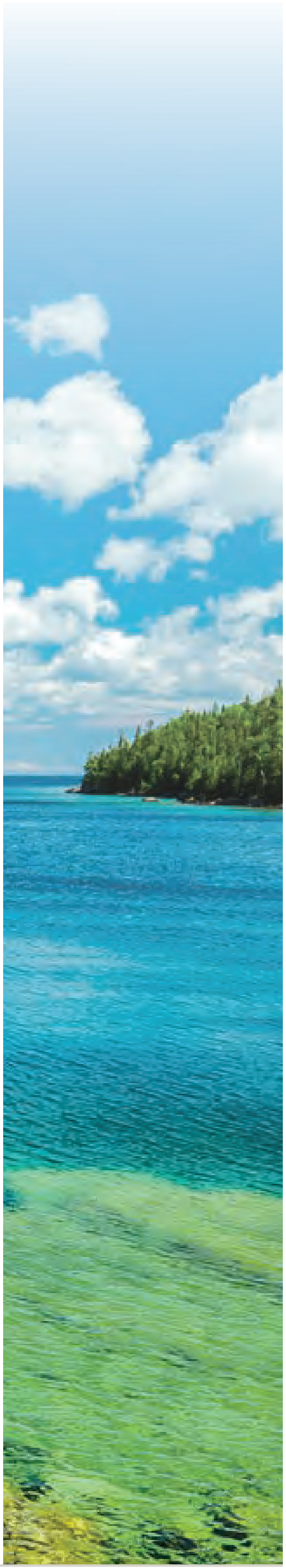
On a wind-up basis, the plan is estimated to be well-funded, with assets exceeding liabilities by close to 23%. In this mature plan, the number of retirees exceed the number of active members. Contributions cover only 28% of benefit payments; the remainder of benefit payments are covered from investments. Over time, benefit payments will continue to increase and contributions to decrease, which will place more reliance on investments to cover the plan's cash requirements.



Plan Audit

In 2021, the Pension Board reappointed PricewaterhouseCoopers LLP, Chartered Accountants, as the auditor for the pension plan. PricewaterhouseCoopers audited the special purpose financial statements as at, and for the year ended, December 31, 2021. The plan is also subject to regular, ongoing actuarial review.

SERVICE PROVIDERS



The Benefits Centre

The Benefits Centre manages the daily transactions for the pension and benefits plans and can be reached by telephone at 1-855-647-8222 or 905-480-8222, or by e-mail at

Benefits@united-church.ca
Disability@united-church.ca
Pension@united-church.ca

United Church employees staff the centre, which is located at the General Council Office in Toronto.

Specialist Services

Other services used on an ongoing basis by the Pension Board to fulfill their fiduciary duty to plan membership through due diligence are

- BMKP Law: Brown Mills Klinck Prezioso LLP provides legal services for the pension plan. In this role, BMKP Law advises the plan with regard to pension standards and income tax compliance issues, as well as matters of plan administration, interpretation, and communication. BMKP Law also supports plan governance, attending meetings of the Pension Board and Pension Plan Advisory Committee, providing support and insight as needed, and delivering fiduciary education to board and committee members, as well as periodic legal updates.
- Mercer: Mercer provides actuarial and consulting services for the plan, including ongoing monitoring of the plan's funded status. They also attend meetings of the Pension Plan Advisory Committee to provide analysis of legislative changes.
- Shareholder Association for Research and Education (SHARE, share.ca): SHARE is a Canadian leader in responsible investment services, research, and education. SHARE provides proxy voting and engagement services to the Pension Board. Working with SHARE allows the Board to leverage the fund's assets with those of other clients to bring more assets under management to the table in discussions with companies. When possible, engagement is done ecumenically or in partnership with other investors who share the same concerns or values.

FOUNDING PRINCIPLES

Statement of Beliefs and Guiding Principles

The Statement of Beliefs and Guiding Principles is reviewed periodically. The current Statement was adopted by the General Council Sub-Executive in April 2019.

Terms of Reference

The Terms of Reference for the Pension Board, Investment Committee, and Pension Plan Advisory Committee set out requirements such as the Board or committee's responsibilities and accountabilities, the minimum and maximum number of members for each committee, the areas of expertise required in the membership, and more. Terms of Reference are reviewed periodically to ensure they reflect current best practices.

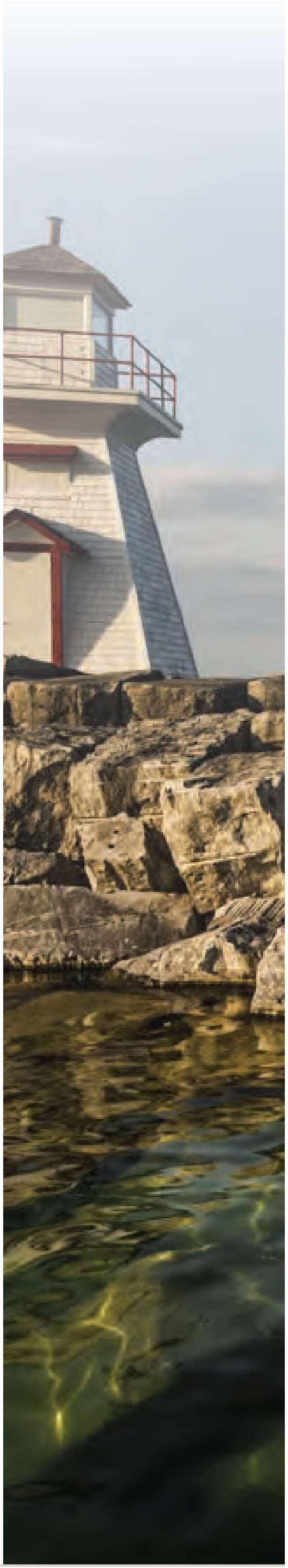
Statement of Investment Policies and Procedures

The Statement of Investment Policies and Procedures is a required document for all pension plans registered in Ontario. It is reviewed annually, and any revisions are filed with the regulator.

The Pension Plan Statement of Beliefs and Guiding Principles is available online for reference by all members and employers of the plan.

Funding Policy

The Funding Policy was drafted for consistency with the Pension Plan Statement of Beliefs and Guiding Principles. It provides guidelines for members of the Pension Board and its delegates in making decisions regarding asset mix, pension increases (or decreases), and contribution levels. Funding requirements for Ontario-registered defined-benefit pension plans were changed effective May 1, 2018, and the Funding Policy was revised in response. The current Funding Policy was approved by the General Council Executive on May 25, 2020.



Keeping You Informed

The goal of the communications from the Pension Board and the Ministry and Employment Unit is to provide you with information about your pension plan and the efforts of the Pension Board to ensure that your plan is secure. Despite many challenges common to all defined-benefit pension plans, the United Church's actively contributing members and pensioners belong to a pension plan that is responsibly managed by many talented governors, including senior Canadian pension professionals, members of the General Council Executive, and members-at-large drawn from United Church membership. It is overseen by a Pension Board that will do everything possible to honour the pension promise.

We've developed a few different ways to share pension information.

United Church Benefits Centre Website

Visit the United Church Benefits Centre website for important information and updates on your pension and group benefits plans, including the steps to take when you are ready to retire.

Annual Member Statements

Each year in June, pension staff issue annual member statements to active, retired, and inactive members of the plan. As required by pension legislation, annual member statements are mailed to members' homes, which makes it particularly important to keep your address up to date.

To Update Your Mailing Address

Actively employed: Advise your payroll administrator.

Retiree: Contact MinistryandEmployment@united-church.ca, or leave a message at 1-800-268-3781, ext. 3031.

Online Seminars

Staff in the Ministry and Employment Unit have updated the online presentations to shift the focus from only personnel who are getting ready to retire to a more inclusive Pension Information Seminar that is relevant to all employees. Learn how your pension works for you, how the plan is governed and responsibly invested, and what you should be aware of as you accrue benefits during your active years.

Offered in collaboration with United in Learning, these online seminars are regularly attended by a range of employees and volunteer leaders (treasurers, ministry and personnel committee members) and are accessed virtually through the AdobeConnect portal. The interactive format is great for getting answers to questions and learning from other participants and the staff of the Ministry and Employment Unit. **The next scheduled date for the Pension Information Seminar is September 28, 2022.**

If you can't join us live or would like to review previous seminars, recordings are available at United in Learning's Recorded Webinars page.

The Annual Report

The Pension Plan Annual Report is no longer printed but is available as a PDF from the Benefits Centre Document Library.

If you would like to receive a printed copy of this report, contact the Ministry and Employment Unit:

- E-mail MinistryandEmployment@united-church.ca with "Pension Annual Report" in the subject line.
- Leave a message at 1-800-268-3781, ext. 3031. Please include your name (spell your last name) and your mailing address with postal code.

We can send you any resource produced by Ministry and Employment; contact us using either of the above methods.

VOLUNTEERS AND STAFF

Pension Board

Rev. Mitchell Anderson, BA (Hons), MBA, MDiv (Hons)

Sharon Aylsworth, BA (Hons) (to September 2022)

Darwin Bozek, FCPA, FCGA

David Gilliland, BMath, FSA, FCIA, CFA, MAAA, CERA (to June 2022)

Douglas D. Greaves, HBA, CFA, ICD.D (to June 2022)

Rev. Hae-Bin Jung, BA, MDiv, MTS

Kit (Kathleen) Loewen, BSc, BEd, MEd (to December 2022)

Katharine Preston, MBA, BEng

Marcus Robertson (Chair), BSc (Hons), MSc, FSA, FCIA (to June 2022)

Anne Soh, FSA, FCIA (incoming Chair)

Joanne Wilson, BSc, MBA

Pension Plan Advisory Committee (PPAC)

James Clarkson, CPA, CA

Juan Diz, BA (Hons)

Audrey Forbes, BAS, CEBS, MPA

Caroline L. Helbronner, BA, LLB

Laura Newman, FCIA, FSA

Kevin Pyo, FSA, FCIA

Marcus Robertson, BSc (Hons), MSc, FSA, FCIA (Pension Board rep to June 2022)

Jacques Tremblay (Chair), FCIA, FSA, MAAA

Investment Committee

Douglas D. Greaves, HBA, CFA, ICD.D (Pension Board rep to June 2022)

Andrew (Andy) Greene, MA, CIM, CAIA

David Kaposi, CFA

Claire Kyle, CFA

Deborah Leckman (Chair), MBA, CFA

Sean Macaulay, CFA

William (Bill) Mackenzie, ICD.D

Mary Anne Wiley, CFA

Kathleen Wylie, CFA

Staff Support

David Dawrant, Senior Manager, Pension and Benefits Administration

Rev. Alan Hall, Executive Officer, Ministry and Employment

Derek Hurst, Pension Fund Manager

Erik Mathiesen, Executive Officer, Finance

Shenagh Rosa, Manager, Pension Compliance and Communication

Stefanie Uyesugi-Cooper, Pension and Benefits Member Engagement

This report is for you, members of the pension plan. Through it we seek to be accountable for the resources you have entrusted to our care. We endeavour to be faithful to this stewardship trust.

We want to thank you for your faithful service in the United Church and in the local ministries, organizations, and communities where you serve. Together we share a commitment to celebrate God's presence, to live with respect in Creation, to love and serve others, to seek justice and resist evil, and to proclaim Jesus.

In order to save paper, printing, and mailing costs, the Pension Annual Report is primarily distributed online.

For questions and comments or to receive a printed copy, contact:

Ministry and Employment Unit
The United Church of Canada
3250 Bloor St. West, Suite 200
Toronto, ON M8X 2Y4

1-800-268-3781, ext. 3031
PensionBoard@united-church.ca

Include your name and complete mailing address.

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