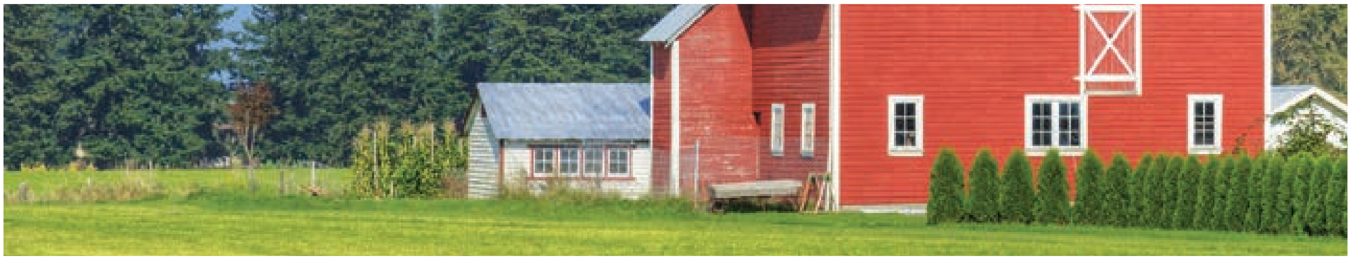
2022 PENSION ANNUAL REPORT

THE PENSION PLAN OF THE UNITED CHURCH OF CANADA

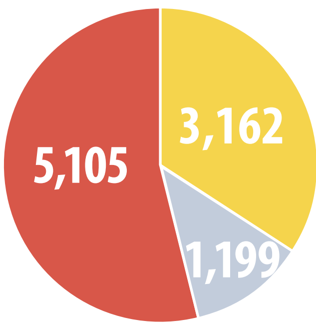


see uccbenefitscentre.ca >>> "Pension"

FAST FACTS about your Pension Plan

As at December 31, 2022

Plan Demographics



Number of pensioners (includes survivors)

Number of active members

Deferred members

413 active members age 65 and over

1,326 age 55-64

1,423 under age 55

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

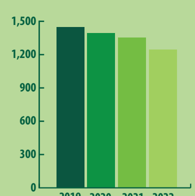
Average length of time people receive a pension **24.5** years

76 Average age of pensioners

64 Average age of plan members at retirement

Average age of active members **54**

Number of Participating Employers



2019: 1,422
2020: 1,375
2021: 1,330
2022: 1,284

Total pension benefits paid per year

2022: $74,875,000
2021: $73,140,000
2020: $71,255,000
2019: $66,778,000
2018: $67,608,000

Includes refunds and death benefits

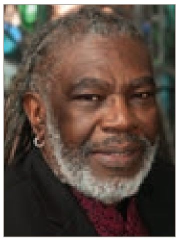
409 Members joined in 2022

223 Members retired in 2022

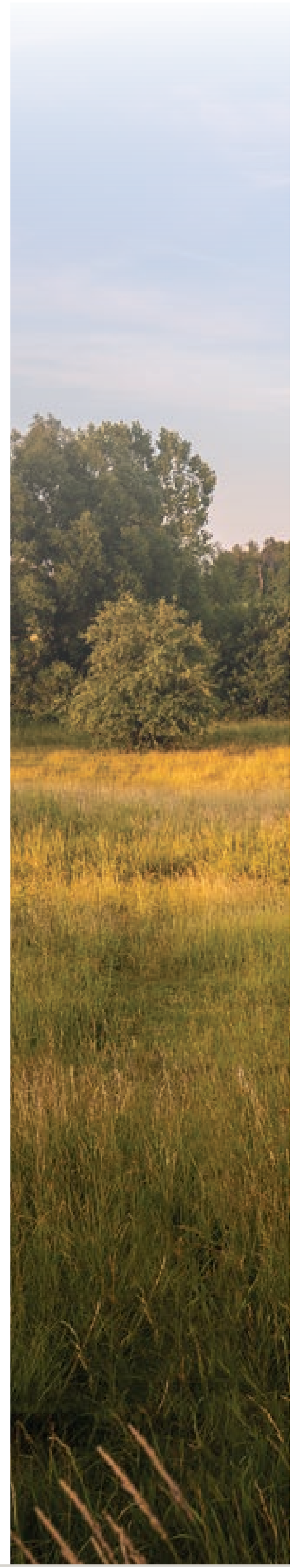
2 over age 100!

259 Pensioners over age 90

MESSAGES TO THE MEMBERSHIP

From the Moderator and General Secretary



Dear Members,

Deep Spirituality! Bold Discipleship! Daring Justice!

This is the motivating Call of the church's strategic plan adopted by the Annual General Meeting of the 43rd General Council. Everything we do through the Council and the General Council Office is being approached through this lens. The Call is encouraging communities of faith and regional councils as they engage their ministries and articulate their visions. It is exciting to see the energy that is emerging!

The Pension Plan of The United Church of Canada has also adopted a strategic plan for its work over the next five years. While it is specific to the specialized work of governance and administration of a highly regulated plan, our plan fully engages the Call of the denomination.

Deep Spirituality: rooted in the theological commitments to prayer-filled and thoughtful stewardship of the resources entrusted to the plan through the contributions of members, communities of faith, and organizational employers.

Bold Discipleship: inspired to look at investments through lenses of respect for creation, loving and serving others, seeking justice, and resisting evil.

Daring Justice: motivated to actively engage companies through proxy voting, shareholder proposals, and face-to-face engagement at corporate board tables.

As finalists for Sustainable Investing and Investment Manager of the Year, 2021 and 2022, the Canadian investment community is recognizing our plan's commitments. The Executive of the General Council, the plan's Administrator, is proud of how responsibly and actively the Board and staff are stewarding it.

We commend this Annual Report to you so that you, too, can take heart in how your plan is being managed and be confident that your retirement asset is in faithful hands.

Blessings to all,

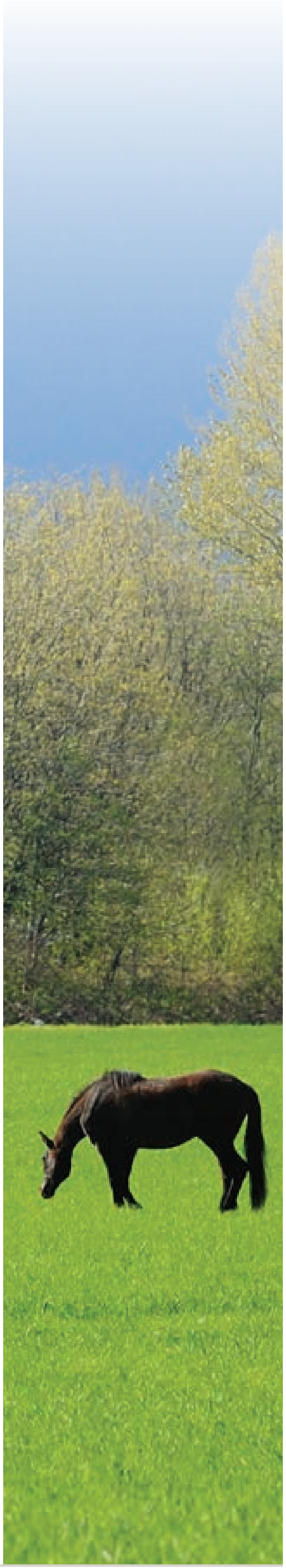
Carmen

The Right Rev. Dr. Carmen Lansdowne
Moderator

M Blair

The Rev. Michael Blair
General Secretary

From the Chair of the Pension Board



Dear Members,

2022 was a tumultuous year marked by declines in the market, rising interest rates, high inflation, and geopolitical unrest. As always, the Pension Board continues to focus on the sustainability of the pension plan and is mindful of the adequacy of members' pensions and affordability of contributions.

Pension Increases

Despite the challenges in 2022, our plan remains in a strong financial position and the Pension Board was able to approve a 2023 pension increase for retired and active members.

Although increases have now been approved four years in a row, we caution that future increases are not guaranteed and 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.

Pension Board Strategy

In December 2022, the Pension Board approved the Pension Board Strategy 2023–2027. The strategy will help to position the plan to address potential obstacles and challenges such as plan maturity, reduced number of participating employers, and other risks as they arise. In carrying out its role as a faithful steward of the assets of the plan, the Pension Board is guided by five objectives:

1. Continue to actively prioritize plan stability and sustainability
2. Enhance risk mitigation
3. Strengthen approaches to active and responsible investment
4. Elevate plan members' and employers' appreciation for the value of the plan
5. Enhance and modernize administration to better serve members and employers

Changes at the Pension Board

In 2022, the Pension Board welcomed three new members: Tamara DeMos, Bill Gilliland, and Alison McKay. I thank our dedicated Board and committee members who lend their time, energy, and talents to the governance of the Pension Plan of

The United Church of Canada. Special thanks must go to Marcus Robertson for his leadership as Chair for nine years, ending in June 2022.

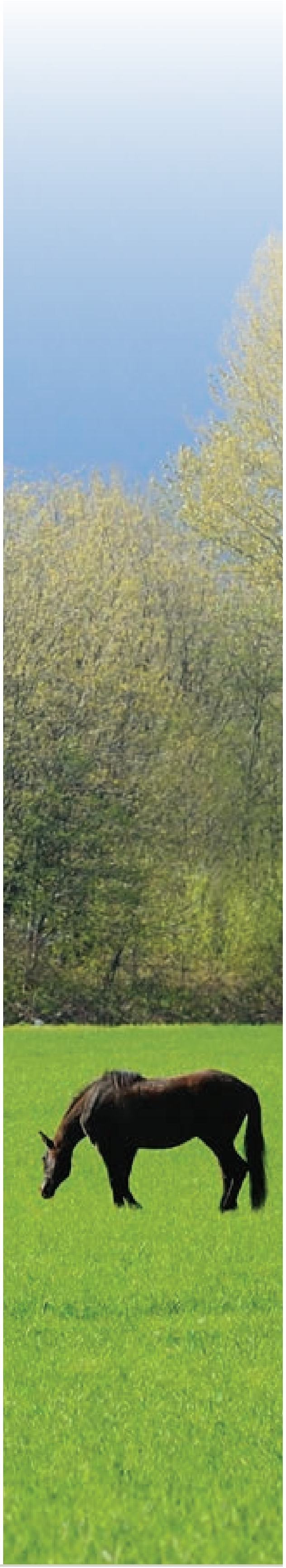
I also express the Pension Board's appreciation to the management team for their hard work and skill.

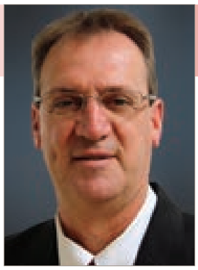
The remainder of this report accounts for the fund's performance and administration in 2022.

On behalf of the Pension Board,

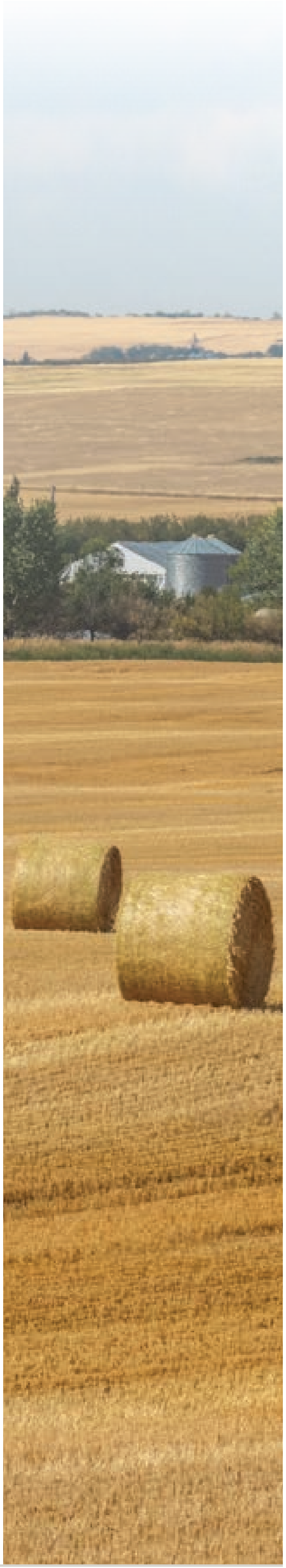
Anne Soh, Chair

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





From the Chair of the Pension Plan Advisory Committee



Dear Members,

I'm pleased to provide an update on the activities of the Pension Plan Advisory Committee (PPAC) in 2022.

Solid funded position despite difficult financial markets in 2022

The plan remains well-funded on both going concern and solvency bases despite negative asset returns in 2022. The rise in interest rates contributed to poor returns, particularly in bonds, but also had the offsetting effect of reducing the plan's actuarial liabilities. Consequently, the plan remains in a strong funded position.

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

Ongoing quarterly tests of the plan's funded position continue to be positive. Consequently, PPAC recommended to the Pension Board a 4% increase to the pensions of retired and inactive members effective January 1, 2023, and a temporary increase to the rate at which active members earn their pension (the accrual rate) in 2023. These four increases have been applied on an ad hoc basis and are dependent upon adequacy of funding.

Move to Ariel Payroll system

Effective September 1, 2022, the pensioner payroll successfully transitioned from RBC Investor Services to Telus Health (formerly LifeWorks) under the Ariel Payroll system. The new system offers efficiencies with lower payroll costs to the plan and allowed for pensioners to receive the 2023 pension increase with their January 2023 payment, eliminating the need for a retroactive payment of increases as in previous years.

Pension and benefit administration system

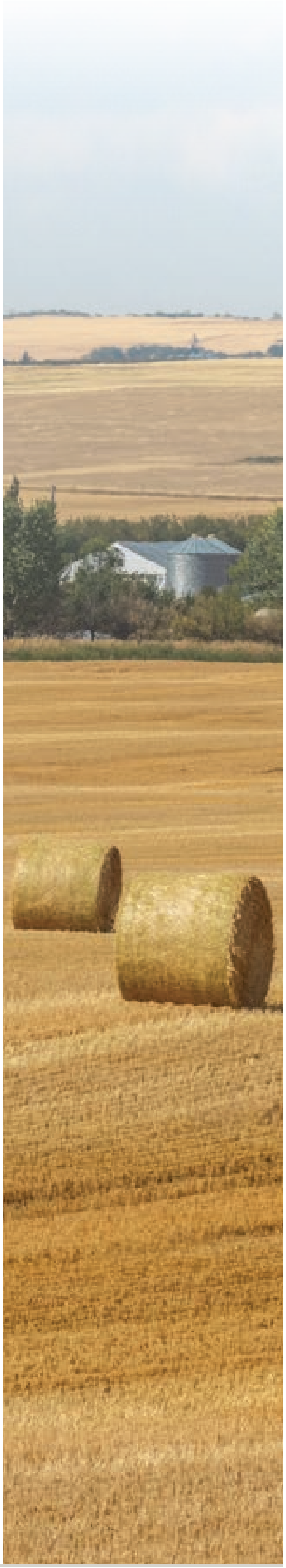
Members of PPAC continue to support the implementation of the new pension and benefits administration system. Some members also contribute their skills to the Steering Committee, which meets regularly with Telus Health to oversee progress of the implementation. The Ariel administration system is slated for launch in 2024.

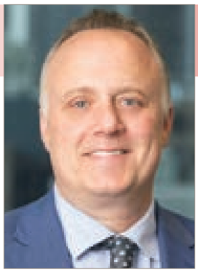
Members of the committee are happy to contribute time and expertise toward the success of the Pension Plan of The United Church of Canada. On behalf of all members of the committee, I recognize and thank General Council Office staff for their contribution.

On behalf of the Pension Plan Advisory Committee,

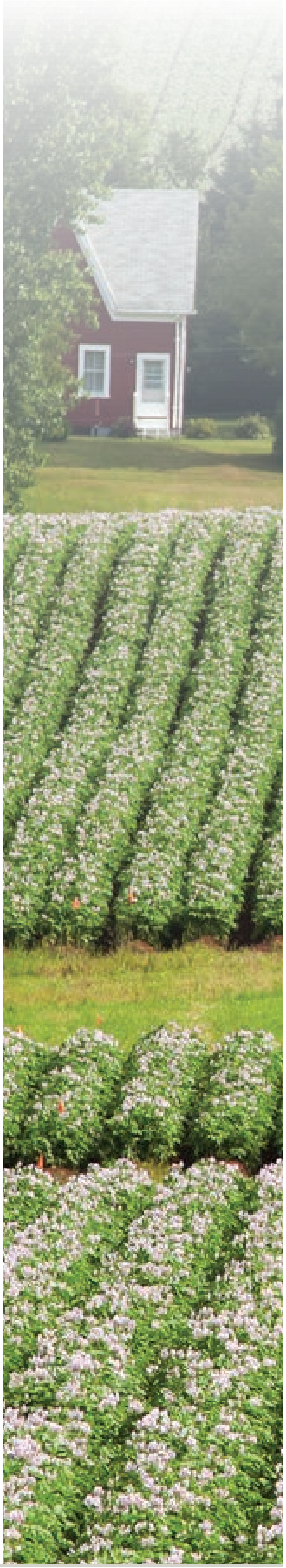
Jacques Tremblay, Chair

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





From the Chair of the Investment Committee



Dear Members,

My name is Andy Greene, and I am the new Chair of the Investment Committee. In March 2023, I was given the incredible opportunity to take over from Deborah Leckman, who led the Investment Committee for nine years and termed out as Chair. She established a strong governance structure to guide the committee, and her leadership will be missed. I have been a member of the Investment Committee for eight years, and my day job is with the Toronto Transit Commission (TTC) Pension Plan. I look forward to being the Chair of the Investment Committee over the next few years.

By all accounts, 2022 was a challenging year. The performance of the fund was –9.7%, close to the benchmark of –9.5%. What was surprising about 2022 is that both equity and fixed income markets were significantly down while real estate and private equity investments performed well. Due to negative asset returns and benefit payments greater than contributions, the fund's asset value declined $228 million to $1.431 billion.

Dominating the news in 2022 were higher interest rates and Russia's invasion of Ukraine. Both impacted the fund's performance. The Bank of Canada's record interest rate increases of over 4% stemmed high inflation but also slowed economic growth. Higher interest rates caused falling bond values, and slower economic growth lowered equity prices. However, central banks are expected to cease their increases in 2023, and long-term interest rates are starting to fall.

The war in Ukraine is a primarily humanitarian catastrophe. The fund had some Russian investments in its emerging market equity allocation, representing 0.2% of assets, that were written down to zero. However, the economic effects were wide reaching with particular impacts on energy and European markets. At the start of 2023, there appears to be no end to the conflict.

The fund's private market investments in real estate and private equity were a bright spot in 2022, returning 14.8% and 20.1%, respectively. The committee was quite active in this space, approving a new private equity commitment of $20 million. The fund's existing private equity investments are fully allocated, and the committee believes it is beneficial to have open commitments available to deploy capital as realizations occur in existing investments. The committee also reviewed infrastructure as a new asset class and agreed that its stable growth and cash generative characteristics fit well with the fund's needs. At the end of the year, the committee approved a new target allocation to infrastructure of 3%, reducing the target global equity to 21% from 24%. In addition, the committee approved two infrastructure commitments totalling $27 million. These commitments will take time to deploy. The committee was also active in public equities, replacing an underperforming Canadian equity manager with a new manager.

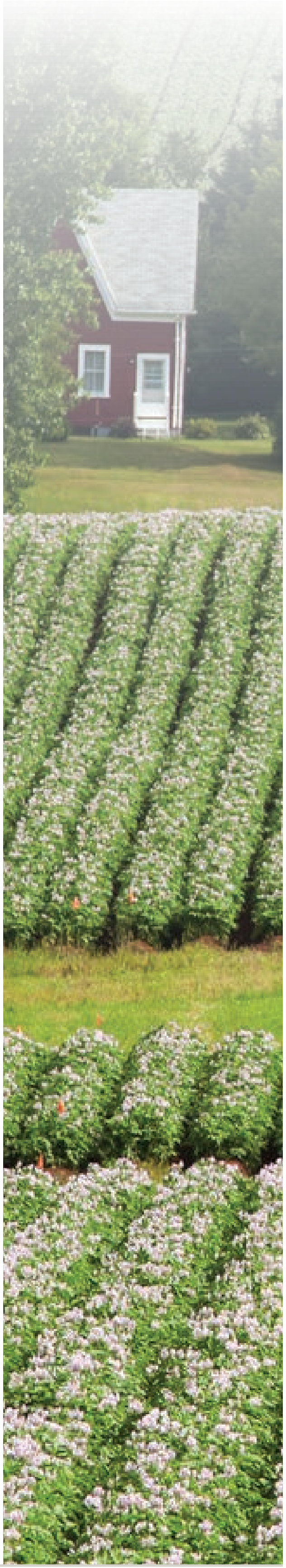
The fund continues its responsible investment activities, which are discussed separately in this report. I would like to highlight that the committee is keenly focused on the plan's commitment to have net zero emissions by 2050. For 2023, the committee will work on interim goals of education and consistent emission measurement.

Lastly, I end with the fact that even though fund assets declined in 2022, the plan remained in a strong funded position, so strong that the Board granted its fourth consecutive benefit increase in 2023. This is a testament to the knowledgeable and collegial group of professionals who volunteer their time on the Investment Committee. I have enjoyed my time working with this group and hope for continued success, leading it into the future.

On behalf of the Investment Committee,

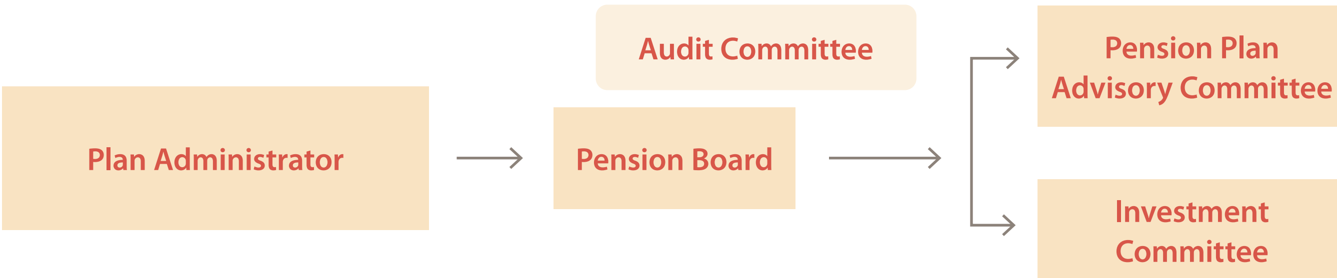
Andrew Greene, Chair

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



GOVERNANCE

Pension Plan Governance Structure



Pension Board Strategy

The first formal Pension Board Strategy Plan was approved by the Board in December 2022, and it will provide guidance for 2023 through 2027. It will help to position the pension plan to face potential obstacles and challenges such as plan maturity, reduced number of participating employers, increased member life expectancy, and other risks identified in future studies.

The Board of The Pension Plan of The United Church of Canada seeks to be a faithful steward of the assets of the plan, building on the established foundational principles of good governance, responsible investment, and timely and accurate administration. As the plan anticipates trends and challenges, the Board continues to strengthen the plan for success so that members can have confidence that it is a secure, reliable, and valuable asset in their retirement.

The Board is guided by the following strategic objectives:

1. Continue to actively prioritize plan stability and sustainability

The Administrator of the plan (the General Council Executive) and the Pension Board will provide a sustainable defined benefit pension plan in accord with the plan's Statement of Beliefs and Guiding Principles, and they will take actions to enhance the likelihood that contribution rates will remain stable and predictable while providing benefit improvements when it is prudent and affordable to do so.

2. Enhance risk mitigation

Identifying and managing risk is core to securing benefits, particularly in volatile political and economic environments. The Pension Board will actively monitor and manage risks using multiple levers.

3. Strengthen approaches to active and responsible investment

With the primary objective of positioning the plan for strong and sustainable long-term performance while considering the values of the church and the General Council's commitment to deep spirituality, daring justice, and bold discipleship, the Pension Board will be an active and responsible investor.

4. Elevate plan members' and employers' appreciation for the value of the plan

It is important that members and employers appreciate the value of the plan so it remains relevant and meaningful to members, provides employers with an attractive benefit for current and future employees, and fulfills the church's objective of contributing to the financial well-being of members during retirement. The Pension Board will work to enhance the members' and employers' appreciation for the value of the plan to its members and to the church.

5. Enhance and modernize administration to better serve members and employers
During the extended period of transition to in-house administration and the implementation of a new administration system, timely service to members has been challenging. The Pension Board commits to enhancing both timely and accurate service to members and employers.

Membership and Appointments

Pension Board

In 2022, the **Pension Board** welcomed three new members, Tamara DeMos, Bill Gilliland, and Alison McKay, to fill vacancies left by Marcus Robertson, our previous chair, as well as David Gilliland and Doug Greaves, who all completed their maximum nine years on the Board in June 2022. Sharon Aylsworth completed her appointment as a representative of the General Council Executive to the Board in 2022, but we were pleased to welcome her back in March 2023 as a Pension Board member-at-large appointed by the Executive of the General Council. Mitchell Anderson was reappointed as a representative of the General Council Executive to the Board until 2025.

Pension Plan Advisory Committee

There was one change to the **Pension Plan Advisory Committee** (PPAC) in 2022. With the departure of Marcus Robertson, Joanne Wilson became the Board's representative to PPAC beginning with the September 2022 meeting.

Investment Committee

In May 2022, the **Investment Committee** welcomed Doug Chau, Adam Buzanis, and Deborah Ng, all of whom bring deep knowledge of pension funds with specialties in various asset classes. Katharine Preston became the Board's representative to the Investment Committee beginning with the September 2022 meeting.

Please refer to the biographies for all members who serve on the Pension Board, PPAC, and the Investment Committee in the Benefits Centre Document Library.

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
- 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 plan executes its responsible investment (RI) responsibilities with three overlapping activities: engagement, proxy voting, and a commitment to having net-zero carbon emissions by 2050. Although 2022 was a very tough year for asset returns, the plan continued its RI activities unabated, with some success.

Engagement

The cornerstone of the plan's RI activities is engagement. The plan engages directly with invested companies on environmental, social, and governance (ESG) issues, not only on the investments they make on behalf of the plan but also on their own diversity, equity, and inclusion (DEI) efforts. Lastly, the plan engages policy makers by publicly supporting ESG initiatives.

The plan uses the services of the Shareholder Association for Research and Education (SHARE) to drive its engagement with companies. During 2022 the plan engaged with 28 companies on 37 issues. About half of the matters were related to climate change issues such as reducing greenhouse gases, sustainable finance, and a just transition. The other half focused on social issues related to decent work, racial justice, and Truth and Reconciliation. Success is measured by a company making significant progress against a desired outcome or even taking part in positive dialogue. Roughly half of the engagements in 2022 were successful on this measure.

One of the successes for the plan in 2022 was a shareholder proposal with Constellation Software urging the company to improve their 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 the Board of Constellation Software recommending that shareholders vote against the resolution at their annual general meeting, shareholders voted 62% in favour.

Another successful engagement that the plan supported was a shareholder proposal with Toromont Industries Inc. to undertake steps to invest in the Indigenous economy, including achieving certification under the PAR (Progressive Aboriginal Relations) program of the Canadian Council for Aboriginal Business. Management and investors overwhelmingly supported the shareholder proposal at Toromont's annual general meeting, with the proposal receiving 99% support.

The plan also engages with its investment managers. This is very important as they make the investments on behalf of the plan. All of the plan's investment managers integrate ESG into their investment decisions and are either signatories to the UN Principles for Responsible Investment or file reports with GRESB, an independent organization that validates ESG performance data. ESG integration is a top consideration when hiring investment managers. The Investment Committee spends a lot of time ensuring that our investment managers can help the plan in its RI journey over the long term. In 2022, the plan continued to probe its investment managers about their DEI policies, with most managers providing measurement or plans to improve diversity within their firm. The plan's managers were also asked about their commitment to Truth and Reconciliation, largely to raise awareness. However, several Canadian-based investment managers already had initiatives in place.

The plan supports public policy outreach largely through its relationship with organizations such as SHARE, Canadian Coalition for Good Governance (CCGG), Responsible Investment Association (RIA). Through its relationship with SHARE, the plan participates in the Climate Engagement Canada

(CEC), a finance-led initiative that drives dialogue between finance and industry to promote a just transition to a net-zero economy.

Proxy Voting

The plan uses external investment managers to manage its assets. For equity accounts, it will directly hold company shares in its accounts, where feasible. The investment manager has discretion to buy and sell shares but the plan controls how proxy votes are cast at a company's annual general or special meeting. The plan uses a proxy voting agency, Groupe Investissement Responsable (GIR), to vote our shares. The Investment Committee works with GIR to agree to a set of guidelines on how the plan should vote on particular issues. Most of the votes relate to the election of company directors, but others touch on executive pay, diversity, and climate issues. Shareholders have the right to file resolutions at meetings to force companies to act on particular issues. The plan has filed a number of shareholder proposals over the years and is discussed in our engagement activities. For 2022, the plan voted on 1,288 proposals at 88 meetings, disagreeing with company management 53% of the time. The plan takes its proxy voting responsibilities seriously.

Commitment to Net Zero by 2050

In 2022, the pension plan signed on to the Canadian Investor Statement on Climate Change. With that commitment the pension plan has a responsibility to establish long-term and interim reduction targets for greenhouse gas emissions that are based on climate science and aligned with the ambition of achieving net-zero emissions by 2050 or sooner.

So far, the journey to net zero has focused on education on climate change metrics and the changing regulatory environment. Another priority is obtaining data on the plan's greenhouse gas emissions so it can start to establish reduction targets.


© Randi Scott | iStock Photos

Pension and benefit administration system

The Board and Pension Plan Advisory Committee (PPAC) continue to support the implementation of the new Ariel pension and benefits administration system. A Steering Committee, including members of the management team and PPAC, meets regularly with Telus Health to oversee progress of the implementation. The Ariel administration system is slated for launch in 2024.

Implementation of Ariel Payroll System

Effective September 1, 2022, the pensioner payroll successfully transitioned from RBC Investor Services to Telus Health (formerly LifeWorks) under the Ariel Payroll system. The new system will work seamlessly with the Ariel administration system and offer lower payroll costs to the plan. It allowed pensioners to receive their 2023 pension increase with their January 2023 payment, eliminating the need for a retroactive payment.

Pension Increase

Based on the guidelines set out in the Funding Policy and ongoing quarterly tests of the funded position, the plan was able to provide another pension increase effective January 1, 2023. Retired members received the increase with their January 1, 2023, payment.


© Thomas1111 | Dreamstime.com

FINANCIALS

Financial Statements

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

	2022	2021
Assets		
Investments	**$1,411,969**	$1,647,893
Cash	**14,192**	6,260
Amounts receivable	**2,091**	2,342
Interest and dividends receivable	**6,442**	5,293
Prepaid expenses	**24**	-
	1,434,718	1,661,788
Liabilities and trust		
Amounts payable and accrued liabilities	**4,254**	2,299
	4,254	2,299
Net assets available for benefits	**$1,430,464**	$1,659,489

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

	2022	2021
Net assets available for benefits, beginning of year	**$1,659,489**	$1,587,644
Increases		
Net gain on sale of investments	**-**	75,572
Change in unrealized gains (losses) in the year	**-**	19,954
Change in fair value of investments	**-**	95,526
Investment income	**37,957**	39,055
Contributions		
Employers	**12,049**	12,204
Members	**8,034**	8,129
	58,040	154,914
Decreases		
Net realized losses on sale of investments	**31,590**	-
Change in unrealized gains (losses) in the year	**169,769**	-
Change in Fair value of investments	**201,359**	-
Pensions paid	**71,005**	68,049
Refunds	**3,666**	5,091
Administrative, project, and investment expenses	**11,035**	9,929
	287,065	83,069
Change in net assets available for benefits	**(229,025)**	71,845
Net assets available for benefits, end of year	**$1,430,464**	$1,659,489

Financial Analysis

Fund Performance

2022 was a challenging year.

Our pension fund rate of return on investment was –9.7% in 2022, slightly worse than the benchmark goal of –9.5%. In 2022 both fixed income and public equity asset classes provided negative returns. Steep increases in interest rates to combat inflation upset both fixed income and public equity markets. Offsetting that was positive performance in real estate and private equity investments. However, the impact of higher interest rates on real estate and private equity will be felt in future years from lower realizations on asset sales.

So far, the returns for 2023 have been positive, rebounding from the negative returns of 2022. Pessimism still persists in financial markets, with inflation trending down but still high enough to trigger central banks to continue to raise interest rates. Financial markets appear uncertain whether Canada or the United States will enter a recessionary period. Geopolitical tensions remain high with no end in sight to war in Ukraine and sabre-rattling by China over Taiwan. On the bright side, the plan did provide another benefit increase in 2023, its fourth consecutive annual increase. So far in 2023, the fund remains in a strong financial position in comparison to the size of pension liability.

Investment Type	2022	2021	2020
Canadian Fixed Income	45%	45%	47%
Global Fixed Income	6	6	6
Canadian Equities	6	6	12
Global Equities	26	29	22
Real Estate	11	8	6
Private Debt	0	0	1
Private Equity	5	4	5
Infrastructure	0	NA	NA
Cash	1	2	1
	100%	100%	100%

Canadian Fixed Income – Mostly government and corporate bonds

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

Equities – Mostly large corporate 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

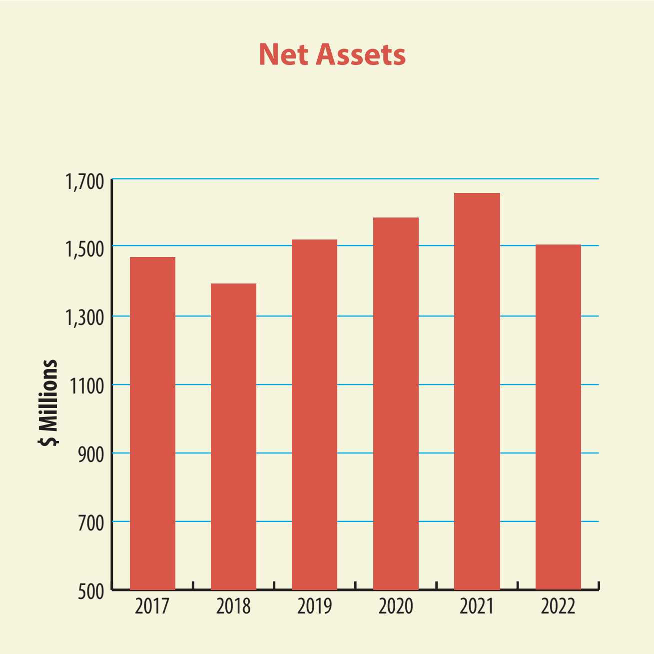
Infrastructure – Equity invested in mid-sized to large infrastructure projects

Cash – Includes short-term investments, treasury bills, and cash on hand

Assets in the fund are invested using a prudent investment philosophy, with a goal of providing stable benefits to its members over the long term. The target asset mix remains at 55% fixed income and cash/45% equities. Strong real estate and private equity returns versus negative public equity and fixed income returns in 2022 resulted in the asset mix having a 3% 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.

The Investment Committee was active in 2022 in establishing a new 3% target allocation to infrastructure. Two US$10 million commitments were made to infrastructure funds that will take a number of years to fully invest. The fund currently has 5% of its assets invested in private equity, 1% above its target allocation. However, with all the current private equity investments in their distribution phase, the Investment Committee thought it prudent to make a new US$15 million private equity commitment to improve the vintage year diversity of the asset class. The fund has 11% of its assets in real estate, 3% above its target allocation. This year the allocation increased largely due to strong returns in relation to negative returns from public equity and fixed income investments. The Investment Committee is monitoring the overweight to real estate and did trim the allocation by 1% in early 2023. 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 is reviewing private debt as an asset class and may consider new allocations.

The financial value of our assets decreased by $229 million in 2022, as investment losses and pension payments were much larger than contributions.

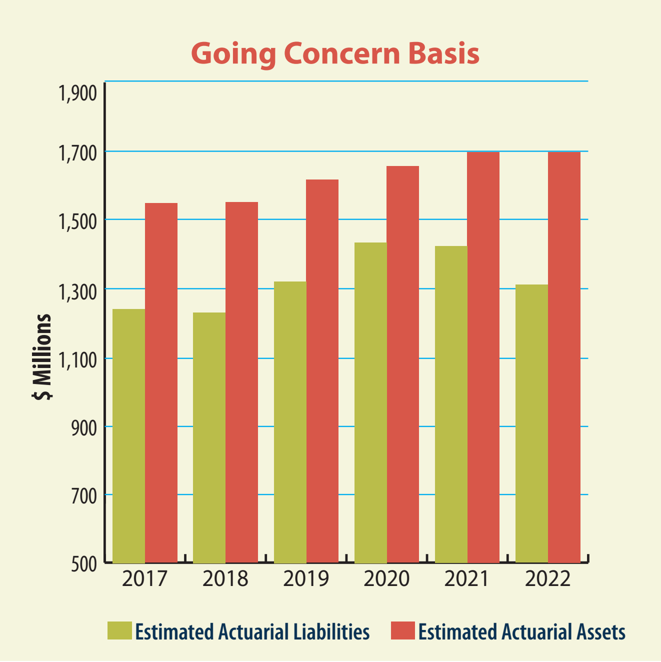


Actuarial Overview

The plan's funded position remains strong in 2022.

The funded position compares plan assets against the actuarial liability and is measured on both a going concern and wind-up basis.

On a going concern basis, the plan is assumed to continue indefinitely into the future. The actuarial value of the plan assets is the sum of the "smoothed value of assets" and the present value of future contributions. The "smoothing" of assets averages investment returns over four years, evens out the variation in annual returns, and enables contribution rates and benefits to be set using a more stable long-term view of investment performance. The actuarial liability of the plan is the present value of future benefit payments to current and future pensioners.



This chart shows that the plan has been in a going concern surplus position, where assets are greater than actuarial liabilities, since 2017. This is largely the result of positive investment returns. Despite the negative asset returns in2022, the plan remains in surplus; the rise in interest rates contributed to poor returns but also had the offsetting effect of reducing actuarial liabilities.

Assuming that the plan hypothetically winds up at the end of 2022, the plan's funded position remains in surplus where the market value of assets exceeds wind-up liabilities by close to 24%.

The plan is a mature plan where the number of retirees exceeds the number of active members. Contributions only cover 27% of benefit payments. The remainder of benefit payments are covered from investments. Over time, benefit payments will continue to increase and contributions decrease placing more reliance on investments to cover the plan's cash requirements.

The surplus increased in 2022 despite negative investment performance, for two reasons:

- liabilities fell due to higher interest rates, and
- asset values are smoothed over several years, muting the effect of asset losses in 2022

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 email at

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

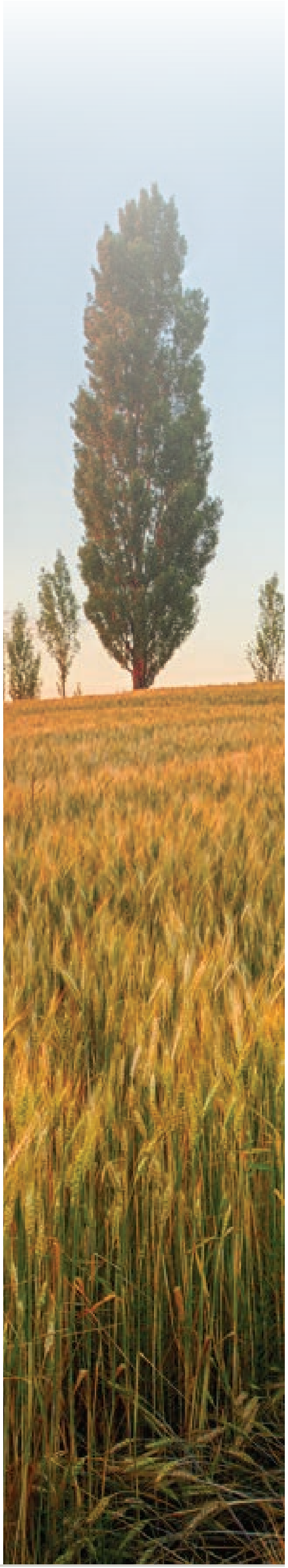
United Church employees staff the centre, which is based at the General Council Office in Toronto.

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

- Brown Mills Klinck Prezioso LLP (BMKP Law) 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. The firm also supports plan governance, attends Pension Board and PPAC meetings, provides support and insight as needed, and delivers fiduciary education to board and committee members, as well as periodic legal updates.
- Mercer provides actuarial and consulting services for the plan, including ongoing monitoring of the plan's funded status. They also attend PPAC meetings to provide analysis of legislative changes.
- Shareholder Association for Research and Education (SHARE, share.ca) is a Canadian leader in responsible investment services, research, and education. SHARE provides 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.
- The plan uses a proxy voting agency, Groupe Investissement Responsable (GIR), to vote our shares. The Investment Committee works with GIR to agree to a set of guidelines on how the plan should vote on particular issues.
- In 2022, the Pension Board appointed KPMG LLP, Chartered Accountants, as the auditor for the pension plan. KPMG audited the special purpose financial statements as at, and for the year ended, December 31, 2022.

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 Sub-Executive of the General Council in April 2019.

Terms of Reference

The Terms of Reference for the Pension Board, Investment Committee, and PPAC set out requirements such as the Board or committees' 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.

Funding Policy

The Funding Policy was drafted for consistency with the Statement of Beliefs and Guiding Principles of the Pension Plan. 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 Pension Plan Funding Policy was approved by the General Council Executive on May 25, 2020.

COMMUNICATIONS FROM THE PENSION BOARD

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 plan'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 plan and group benefits plans, including the steps to take when you are ready to retire.

To Update Your Mailing Address

Actively employed: Advise your payroll administrator.

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

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.

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 ChurchX. 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 Pension Information Seminar is scheduled for September 27, 2023.

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.

VOLUNTEERS AND STAFF

Pension Board

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

Sharon Aylsworth, BA (Hons)

Darwin Bozek, FCPA, FCGA

Tamara DeMos, FSA, FCIA

William Gilliland, BA (Hons), LLB, ICD.D

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

Alison McKay, BA, BAdmin, CPA, ICD.D

Katharine Preston, MBA, BEng

Anne Soh, FSA, FCIA, ICD.D (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 (to May 2023)

Laura Newman, FCIA, FSA

Kevin Pyo, FSA, FCIA

Jacques Tremblay, FCIA, FSA, MAAA (Chair)

Joanne Wilson, BSc, MBA (Pension Board representative)

Investment Committee

Adam Buzanis, CFA

Doug Chau, CFA, PRM, CQF, M.Sc., PhD

Andrew (Andy) Greene, MA, CIM, CAIA (Chair)

David Kaposi, CFA (to May 2023)

Claire Kyle, CFA

Deborah Leckman, MBA, CFA (Chair to February 2023)

Sean Macaulay, CFA

William (Bill) Mackenzie, ICD.D

Deborah Ng, CFA, M. Finance

Katharine Preston, MBA, BEng (Pension Board representative)

Steve Smith

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 of Canada 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, contact:

Shenagh Rosa, Manager,
Pension Compliance and Communications,
srosa@united-church.ca or PensionBoard@united-church.ca

The United Church of Canada/L'Église Unie du Canada
Design: Carina Cruz Domingues, Graphics and Print
La version française complète de ce rapport annuel sera disponible en ligne au uccbenefits.ca.

Cover photo: © Mark Hryciw | Dreamstime.com
Other photos: Dreamstime.com. See images for full credits.

Printed in Canada 230065