2023 PENSION ANNUAL REPORT

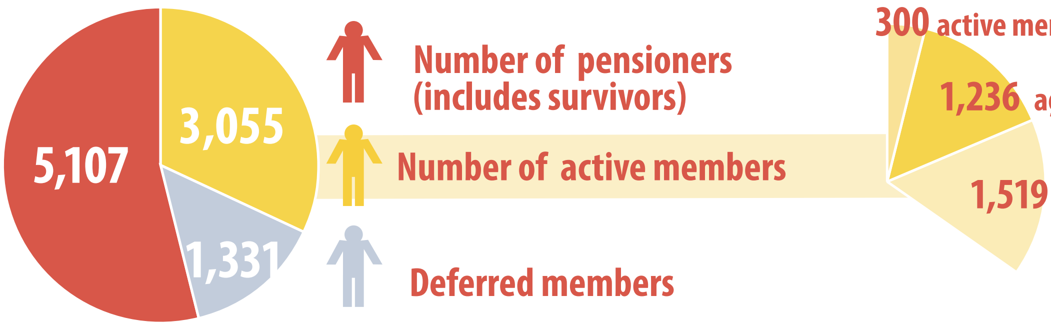
THE PENSION PLAN OF THE UNITED CHURCH OF CANADA

see uccbenefitscentre.ca >>> "Pension"

FAST FACTS about your Pension Plan

As of December 31, 2023

Plan Demographics



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**

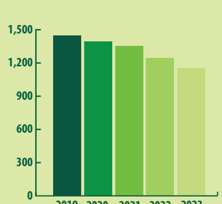
Average length of time people receive a pension **24.5 years**

75 Average age of pensioners

64 Average age of plan members at retirement

Average age of active members **52**

Number of Participating Employers



2019:	1,422
2020:	1,375
2021:	1,330
2022:	1,284
2023:	1,160

Total pension benefits paid per year

2023:	$79,106,000
2022:	$74,671,000
2021:	$73,140,000
2020:	$71,255,000
2019:	$66,778,000

Includes refunds and death benefits

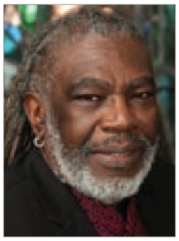
400 Members joined in 2023

224 Members retired in 2023

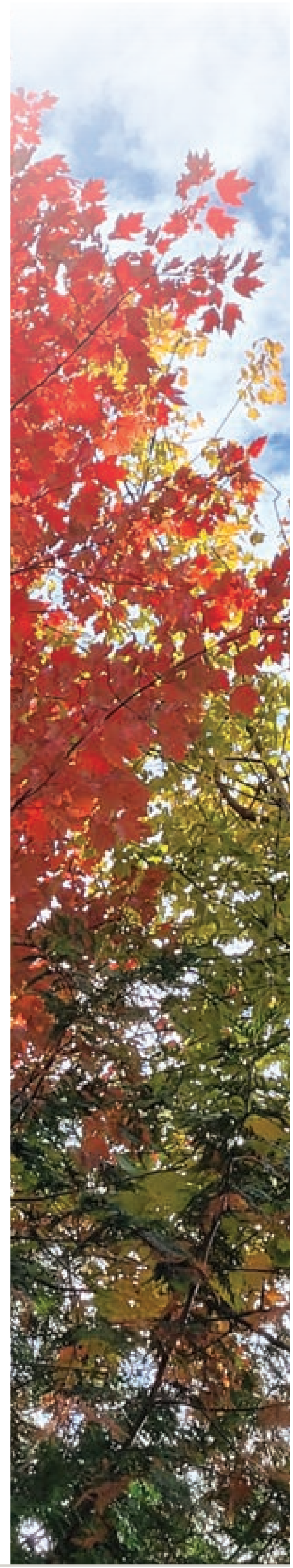
1 over age 100!

200 Pensioners over age 90

MESSAGES TO THE MEMBERSHIP

From the Moderator and General Secretary



Dear Members,

The United Church of Canada reached its 99th anniversary on June 10, 2024, and those 99 years have certainly seen a lot of achievements and challenges! From the lofty 1925 vision of all being one to the nation-building aspirations of the 1940s and ’50s, the social revolutions of the 1960s and ’70s, and the soul-testing 1980s and ’90s, we as a denomination have sought to live with faith, resilience, and grace. Sometimes we’ve gotten it right. Sometimes we have found ourselves far from our ideals. Through it all, though, we have held an abiding sense that we indeed live in God’s world and therefore are not alone.

Since the amalgamation of the founding denominations’ plans, and subsequent amalgamations with lay funds and the Evangelical United Brethren Church, the Pension Fund of The United Church of Canada has become one of the largest religious investors in Canada with nearly $1.5 billion in assets.

While the decade after the Great Recession of 2007–2009 was difficult for all pension plans, our plan remained solvent and, with careful and prudent management, moved to more solid ground that allowed for benefit improvements in each of the last five years. This was no small feat, considering we currently have more pensioners than active contributors. Through these years, we have also greatly expanded our role as an active investor. With particular engagements focused on climate change; Indigenous rights; diversity, equity, and inclusion; and disability rights, we are recognized in pension circles as a leader in responsible investment.

The spirit and character of our church informs our investment strategies and our commitment to providing a defined benefit plan to support plan members in their retirement.

Mindful of the great trust that our plan represents, and grateful for the volunteer governors and staff who serve as faithful stewards of it, we say thanks be to God!

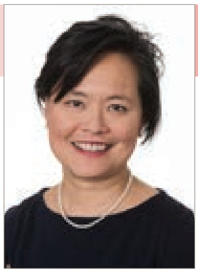
Blessings to all,

Carmen

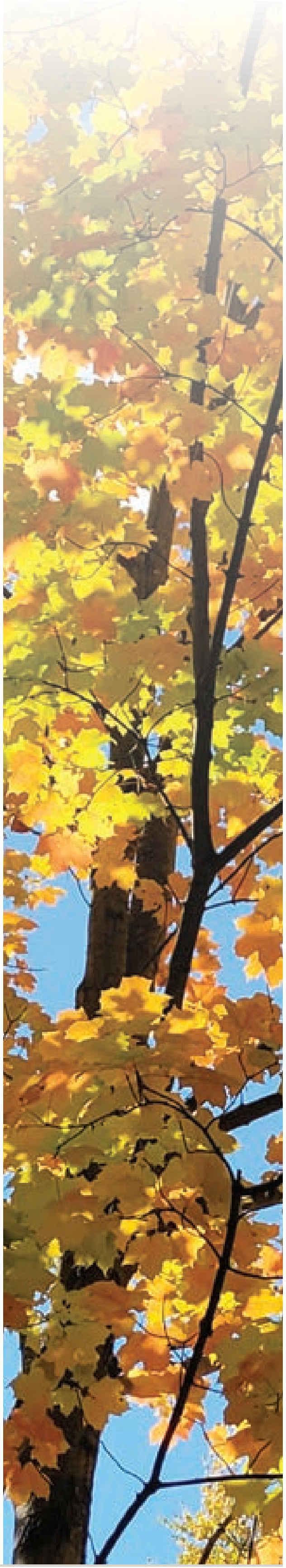
The Right Rev. Dr. Carmen Lansdowne
Moderator

M Blair

The Rev. Michael Blair
General Secretary



From the Chair of the Pension Board



Dear Members,

During 2023, respectable asset returns and ongoing prudent administration enabled the plan's funded position to remain strong and for pension increases to be granted.

Pension Board Strategy

The Pension Board oversees the execution of the 2023–2027 Pension Board Strategy with support from the Investment Committee (IC), the Pension Plan Advisory Committee (PPAC), the newly formed Sustainable Investment Working Group, and management.

Key activities in 2023 relating to the strategic plan include:

- Continued build-out of news and resources on uccbenefits.ca, in uccbenefits.ca news, in *Connex*, and in United Church social media
  - Pension news in quarterly e-newsletter *Connex*
  - Employer newsletter to keep participating employers informed about the implementation of the new administration system
- Semi-annual (February and September) online pension seminars for members focused on the character of our plan and retirement benefits
- Creation of the Sustainable Investment Working Group to guide responsible investment activities and to chart a path to net zero by 2050

Upcoming Activities in 2024

Activities in 2024 will include:

- Launch of the new Pension and Benefits Administration System in late 2024
- Formation of an Enterprise Risk Management working group to develop a risk management framework for the Plan
- Formation of an Asset Liability Study working group to determine the long-term asset mix of the plan

Pension Increases

The Pension Board approved a 2024 pension increase for retired and active members (more information can be found in the letter from the Chair of the Pension Plan Advisory Committee, which follows).

Although increases have now been approved five years in a row, 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. The Pension Board continues to focus on safeguarding the plan to keep the pension promise now and into the future.

Changes at the Pension Board

There were two changes to Board membership in 2023. Sharon Aylsworth completed her appointment as a representative of the General Council Executive, but shortly rejoined the Board as a member-at-large following the departure of Kathleen Loewen, who completed her maximum of nine years of membership.

The Board gives much thanks to Sharon for her continued dedication to the plan and to Kathleen for her valuable insights and contribution to the Board over the years.

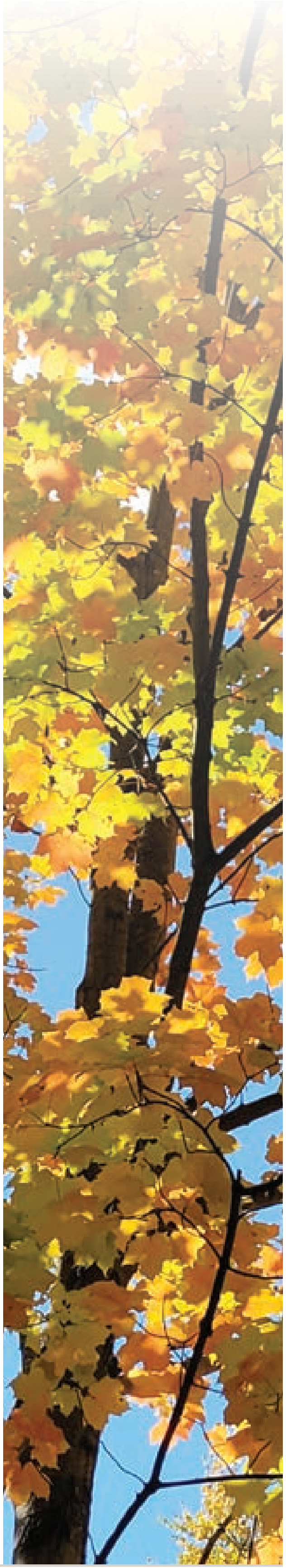
I also express the Pension Board's appreciation of the management team for their hard work and skill.

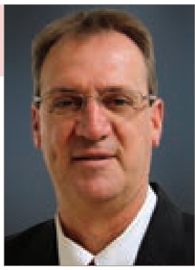
The remainder of this report accounts for the fund's performance and administration in 2023.

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 2023.

Pension and Benefits Administration System (PABAS)

PPAC oversees the PABAS implementation, with some members taking an active role by sitting on the Steering Committee. This multi-year project requires substantial effort from members of PPAC and the Steering Committee as well as staff but will be beneficial to plan members and staff in coming years. The system is slated for launch in the fall of 2024.

Valuation of the plan at December 31, 2023, showed solid funded position

A valuation of the plan conducted at December 31, 2023, showed that the plan remains well-funded on both going concern and solvency bases.

Asset liability study is underway

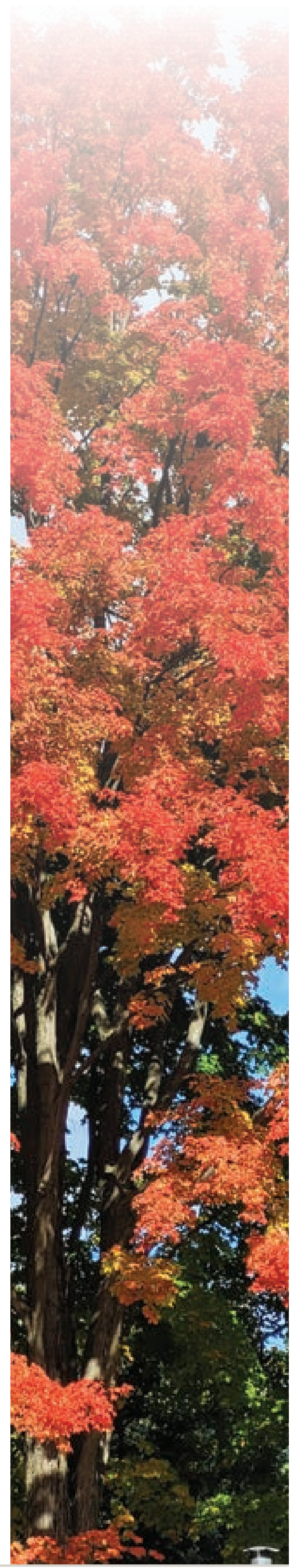
As part of good governance, an asset liability study is underway, guided by members of PPAC, the Investment Committee, and the Pension Board. Upon completion of the asset liability study, a review of the Funding Policy will be conducted.

Annual review of risk tolerance and scenario testing

Each fall, PPAC obtains detailed scenario tests to show the likely effects of various adverse events on the plan's funded status. This is one more way that PPAC monitors the health of the plan.

Plan members enjoyed a pension increase at January 1, 2024

Owing to the strong funded position, PPAC recommended to the Pension Board a 4% increase to the pensions of retired and inactive members effective January 1, 2024, and a temporary increase to the rate at which active members earn their pension in 2024. Although the plan does not provide for annual indexing of pensions, funding levels have allowed for benefit improvements for five years in a row.

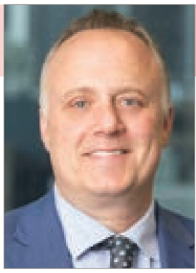


Members are happy to contribute time and expertise toward the success of the Pension Plan of The United Church of Canada. On behalf of all members of the committee, I recognize and thank General Council Office staff for their contribution.

On behalf of the Pension Plan Advisory Committee,

Jacques Tremblay, Chair

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



From the Chair of the Investment Committee

Dear Members,

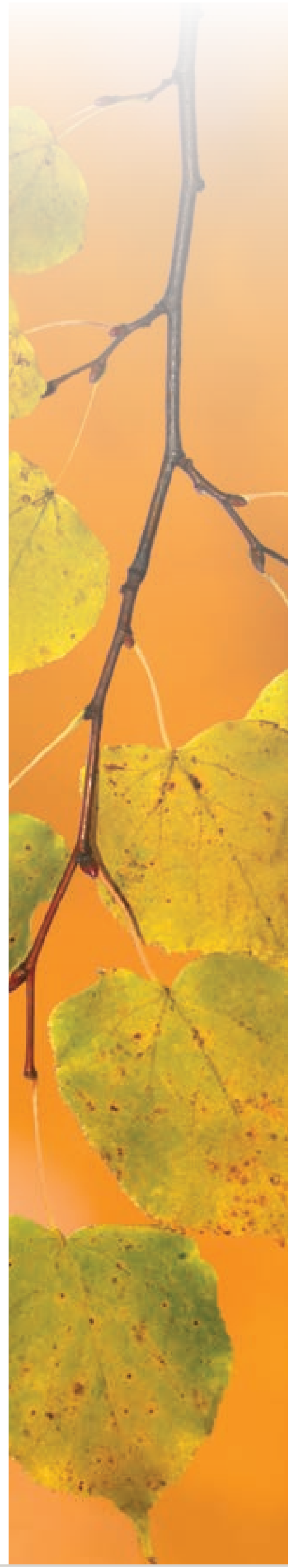
For 2023, the pension fund's asset returns rebounded with a positive 8.9% gain, following a negative 9.7% return in 2022. Most of the 2023 gains occurred in the fourth quarter, when long-term interest rates dropped on the prospect of lower inflation. Public stock markets did very well in 2023, with global stocks up over 20% and Canadian stocks returning 12%.

Unfortunately, it was not all good news. Private equity and real estate suffered negative returns as the impact of higher interest affected their valuations. This caused the fund to underperform its benchmark by almost 1%. For private market investments such as private equity, real estate, and infrastructure, buyers and sellers take time to agree on pricing because they must adjust to higher financing costs from higher interest rates. Unfortunately, higher financing costs reduce the amount buyers are willing to pay, which lowers current valuations. This also slowed the pace of investment in these asset classes. The plan has experienced slower than anticipated investments from its infrastructure commitments. So far, only $4 million has been invested.

Looking forward, 2024 started off strong, with global and Canadian stocks continuing to climb. However, stock market returns have been increasingly concentrated in technology stocks such as Microsoft, Google, Meta Platforms, and Nvidia. Our investment managers don't hold sizable positions in some of these stocks, which makes it difficult to beat benchmarks in the short term. Also, hopes of lower inflation have diminished because of generally stronger than expected economic data, which has prompted rising long-term interest rates. However, Canada is beginning to show signs of slower growth and inflation. This led the Bank of Canada to reduce its key rate by 0.25% in June.

The Investment Committee has focused on reviewing private debt investments, which offer attractive yields that are not negatively impacted by changes in long-term interest rates. The committee is looking to make its first new commitment to private debt in 2024. More importantly, a working group has been formed with representatives from the committee, PPAC, and the Pension Board to undertake an asset liability study. This will reset the target asset mix to help the plan meet its goal to provide stable benefits to members. Any changes to the asset mix as a result of the asset liability study will likely occur in 2025.

The committee continues its responsible investment efforts. This includes voting its proxies, and engaging companies and the fund's investment managers on



issues that are important to the church. These efforts are discussed separately in this report.

Lastly, the plan maintained a strong funded position. As a result, the Pension Board was able to grant its fifth consecutive benefit increase in 2024.

This year, two new members joined the committee, Cathy Carlin and Lori Hall-Kimm. Both have extensive experience as investment professionals working for large pension plans. They join a robust volunteer committee that continues to collaborate to provide expert investment guidance, and that I have the pleasure to lead.

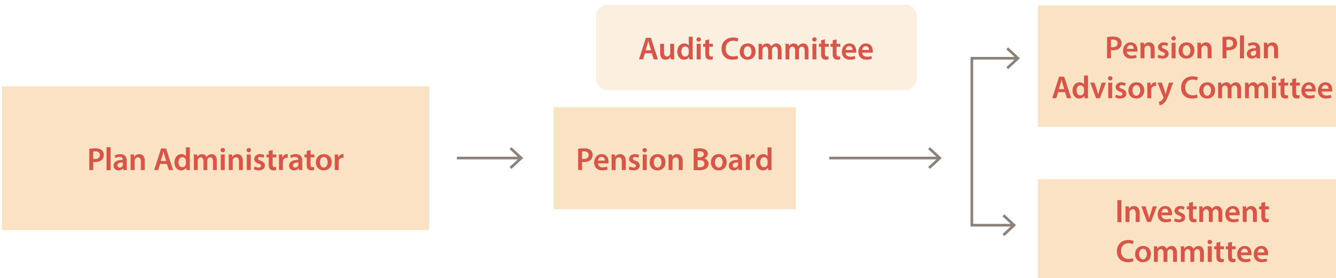
On behalf of the Investment Committee,

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 was approved by the Pension Board in December 2022, and 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.

Strategic Objectives That Guide the Pension Board

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

Since the last report, the Board welcomed one new member and one returning member. In December 2023, Thea Sheridan-Jonah was appointed to the Pension Board as a representative of the General Council Executive. Sharon Aylsworth completed her appointment as a representative of the General Council Executive, but shortly rejoined the Board as a member-at-large following the departure of Kathleen Loewen, who completed her maximum of nine years of membership.

Katharine Preston was reappointed for a third term on the Board in June 2023. Due to competing commitments, Joanne Wilson decided not to seek reappointment at the completion of her second term on the Board in June 2024.

Pension Plan Advisory Committee

James Clarkson completed his third and final term on PPAC in July 2024. With the departure of Joanne Wilson, Alison McKay became the Board's representative to PPAC beginning with the September 2024 meeting.

Investment Committee

Andrew Greene's third term ended in February 2024. However, as he was appointed Investment Committee Chair in early 2023, Andrew was appointed to the Investment Committee for a fourth three-year term to February 2027 in the interest of continuity.

In February 2024, Mary Anne Wiley completed her third and final term on the Investment Committee. Sean Macaulay's third term expired in February 2024; however, an extension to February 2026 was approved by the Sub-Executive to add important leadership skills to the asset liability study currently underway.

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, as well as the skills and perspectives they bring to the plan.

Fiduciary Responsibility and Due Diligence

The Pension Board, Pension Plan Advisory Committee, 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.

2023–2024 ACTIVITIES

Pension and Benefits Administration System (PABAS)

The Pension Board and Pension Plan Advisory Committee (PPAC) continue to support the PABAS implementation. A Steering Committee, including members of the management team and PPAC, meets regularly with TELUS Health to oversee progress of the implementation. The new administration system is expected to launch in late 2024. It will improve efficiency and allow for faster service delivery to members and employers.

Pension Increase

Based on the quidelines set out in the Funding Policy and ongoing quarterly tests of the funded postion, the pension plan was able to provide another pension increase effective January 1, 2024. Retired members received the increase with their January 1, 2024, payments.

Asset Liability Study

The Asset Liability Study Working Group is an ad hoc working group of the Pension Board comprised of members from the Pension Board, the Investment Committee, and PPAC. The group was formed to facilitate an asset liability study of the pension plan, which will help to ensure that economic and demographic assumptions used for actuarial valuations, quarterly monitoring, and so on are determined accurately and applied to manage risk. Following a competitive bidding process, the group selected Mercer, the plan actuary, to conduct the study.

The asset liability study, slated for completion by late 2024, will help to execute on two of the five strategic plan objectives, specifically:

- Objective 1: Continue to actively prioritize plan stability and sustainability.
- Objective 2: Enhance risk mitigation.

Enterprise Risk Management Framework

The Enterprise Risk Management Framework Working Group is another ad hoc working group of the Pension Board comprised of members from the Pension Board, the Investment Committee, and PPAC. This group will develop an Enterprise Risk Management Policy to support the second strategic plan objective of "Enhance risk mitigation." The group will begin its work in the third quarter of 2024, with the framework expected to be completed in mid-2025.

FINANCIALS

Financial Statements

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

	2023	2022
Assets		
Investments	**$1,460,870**	$1,411,969
Cash	**17,797**	14,192
Amounts receivable	**1,873**	2,091
Interest and dividends receivable	**5,823**	6,442
Prepaid expenses	**2**	24
	1,486,365	1,434,718
Liabilities and trust		
Amounts payable and accrued liabilities	**2,576**	4,254
	2,576	4,254
Net assets available for benefits	**$1,483,789**	$1,430,464

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

	2023	2022
Net assets available for benefits, beginning of year	**$1,430,464**	$1,659,489
Increases		
Net gain on sale of investments	**-**	**-**
Change in unrealized gains (losses) in the year	**90,197**	**-**
Increase in fair value of investments	**90,197**	**-**
Investment income	**41,631**	37,957
Contributions		
Employers	**12,357**	12,049
Members	**8,285**	8,034
	$152,470	58,040
Decreases		
Net realized losses on sale of investments	**8,306**	**31,590**
Change in unrealized losses in the year	-	169,769
Decrease in fair value of investments	**8,306**	201,359
Pensions paid	**74,576**	71,005
Refunds	**4,530**	3,666
Administrative, project, and investment expenses	**11,733**	11,035
	$99,145	287,065
Change in net assets available for benefits	**$53,325**	(229,025)
Net assets available for benefits, end of year	**$1,483,789**	$1,430,464

Financial Analysis

Fund Performance

2023 performance rebounded.

Our fund rate of return on investment was 8.9% in 2023, less than the benchmark goal of 10%, but a strong absolute return. In 2023, fixed income and public equity markets performed close to their benchmark goals, but real estate and private equity investments both provided negative returns. Higher interest rates had a negative impact on private equity and real estate valuations and sale realizations.

So far, the returns for 2024 have been positive, with markets sanguine about the prospect of no recession, particularly in North America. Central banks have been slow to cut rates as inflation has cooled. The Bank of Canada is ahead of the other central banks by cutting its benchmark rate as the Canadian economy has slowed. Geopolitical tensions remain very high, with no end in sight to the Ukrainian war, the conflict in Gaza, and an upcoming divisive US presidential election. On the bright side, the plan was able to provide another benefit increase in 2024, its fifth consecutive annual increase. The fund remains in a strong financial position in comparison to the size of pension liability.

Investment Type	2023	2022	2021
Canadian Fixed Income	47%	45%	45%
Global Fixed Income	6	6	6
Canadian Equities	6	6	6
Global Equities	26	26	29
Real Estate	9	11	8
Private Debt	0	0	0
Private Equity	5	5	4
Infrastructure	0	0	NA
Cash	1	1	2
	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 or small to mid-sized companies

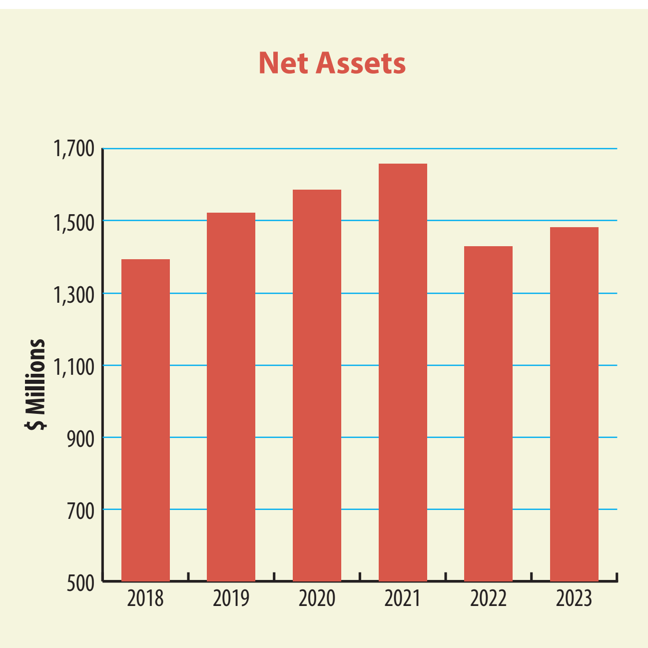
Infrastructure: Equity invested in large to mid-sized infrastructure projects

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 members over the long term. The target asset mix remains at 55% fixed income and cash/45% equities. Both public equity and fixed income provided strong returns in 2023; however, public equity returns were significantly higher than fixed income returns. Even with the drag from negative private equity and real estate returns, the asset mix had a 1% 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 did not make any new investments in 2023. In 2022, two US$10 million commitments were made to infrastructure funds. However, the deployment of these commitments has been slow due to asset valuation uncertainty, as a result of higher interest rates. The fund currently has 5% of its assets invested in private equity, 1% above its target allocation. Most private equity investments are in their distribution phase, so increased distributions should bring the allocation back to target. The fund has 9% of its assets in real estate, 1% above its target allocation of 8%. This year the real estate allocation decreased from selling assets and negative returns. 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 made a new commitment in 2024.

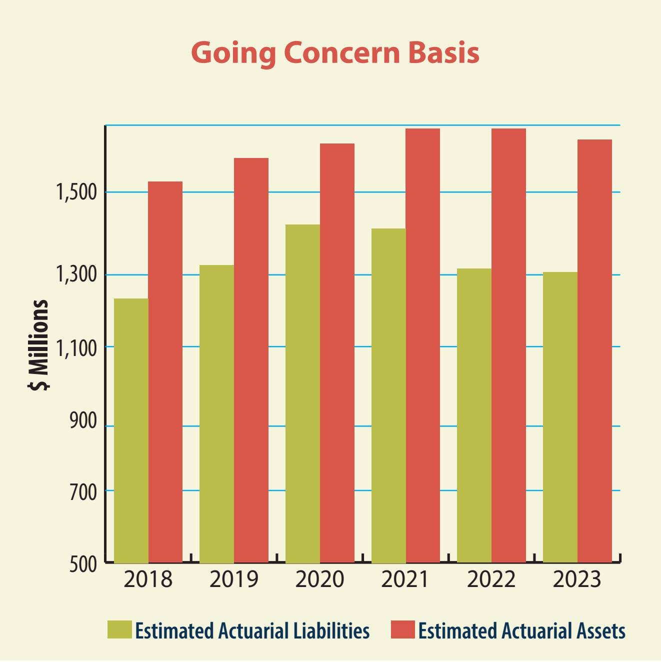
The financial value of our assets increased by $53 million in 2023, as investment gains and contributions more than offset pension payments.



Actuarial Performance

On a going concern basis, our funded position remained strong in 2023.

When valuing the pension plan, a going concern basis assumes the plan and the investments in the fund will continue as they are 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 an increase in interest rates decreases the calculated liability and improves the funded position of the plan.

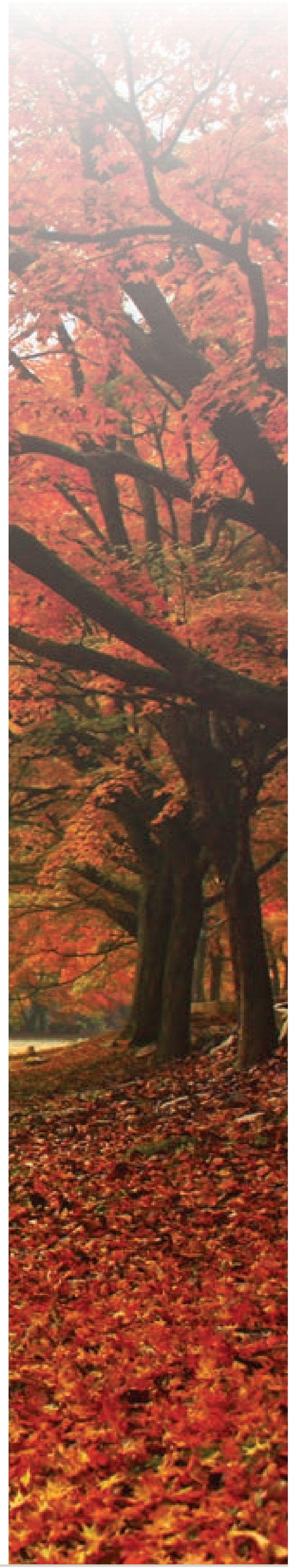


This chart shows that the plan has been in a surplus position on a going concern basis, where assets are greater than actuarial liabilities, since 2018. This was largely the result of positive investment returns, except for 2022. The plan maintained the surplus position at the end of 2023 whereby assets exceeded actuarial liabilities by an estimated $288 million. The surplus decreased in 2023 because liabilities increased due to slightly lower interest rates and to the smoothing of asset values. The asset value is smoothed where investment gains and losses are spread over a number of years. This mutes the effect of an increase in asset value, such as in 2023, and large asset decreases, as experienced in 2022.

On a wind-up basis, the plan is estimated to be overfunded (assets greater than liabilities) by close to 25%. The plan is a mature plan where the number of retirees exceeds the number of active members. Contributions cover only 26% 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.

Plan Audit

In 2023, 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, 2023. The plan is also subject to regular, ongoing actuarial review.



Investing Responsibly

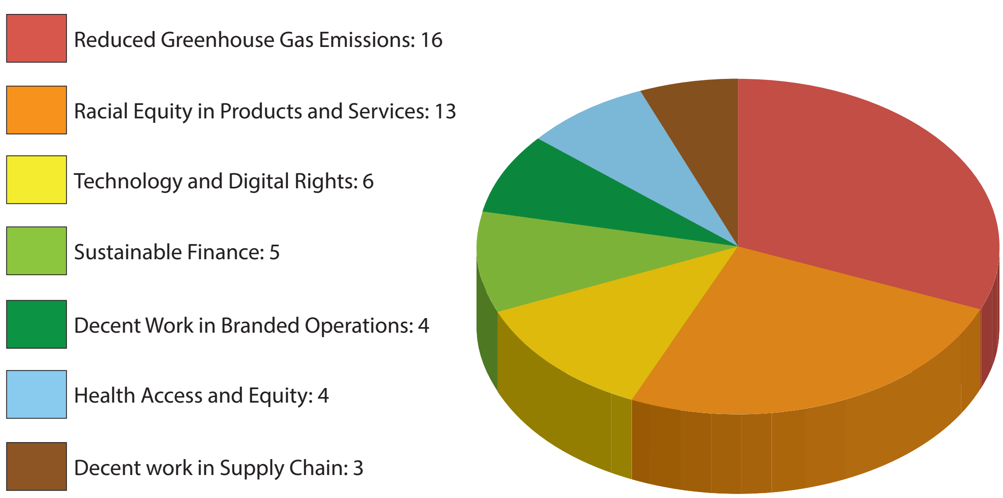
The pension plan executes its responsible investment (RI) responsibilities with three overlapping activities: engagement, proxy voting, and meeting our commitment to have net-zero emissions by 2050.

In 2023, the Pension Board established the Sustainable Investment Working Group (SIWG) as a subcommittee of the Board. The SIWG's mandate is to strengthen approaches to active and responsible investment. This entails strengthening the incorporation of environmental, social, and governance (ESG) factors into the plan's investments; active stewardship; and improving governance and risk management, all in alignment with the strategic plan.

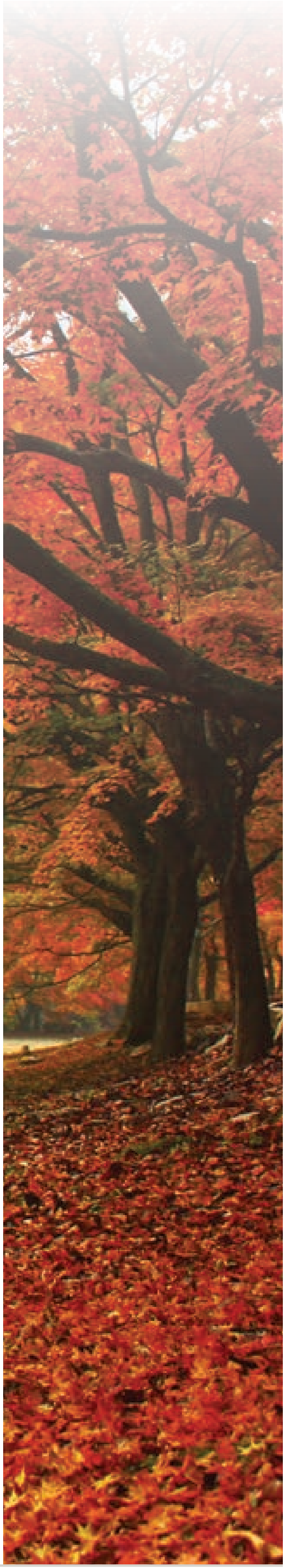
Engagement

The cornerstone of the plan's RI activities is engagement. The plan engages directly with invested companies on ESG issues using the services of the Shareholder Association for Research and Education (SHARE). Each year SHARE proposes an engagement plan describing issues and companies it plans to address. The SIWG and the Pension Board review the engagement plan to ensure it aligns with the plan's Statement of Beliefs and Guiding Principles and reflects commitments of the United Church. This year, at our request, SHARE added disability inclusion and equality as part of its engagement plan.

In 2023, with SHARE, the plan engaged with 25 of the 96 companies owned directly by the pension plan, which addressed 51 issues described below.



The following are some highlights of those engagements:



- Alphabet (Google) shareholders voted on a proposal, filed by the pension plan, requesting third-party scrutiny of the company's targeted advertising system. The proposal calls for the company to undertake a human rights impact assessment, and speaks to the growing concerns surrounding Alphabet's advertising infrastructure's heavy reliance on technology, including artificial intelligence, that has not been subject to a robust human rights due diligence process. The proposal received 47% support from independent shareholders and 18% overall.
- Royal Bank of Canada and Bank of Montreal both committed to racial equity audits after facing pressure from shareholders. The pension plan and the church, along with the Atkinson Foundation, provided this pressure through support of shareholder proposals to request audits, organized by SHARE. As Royal Bank and Bank of Montreal have both agreed to conduct a racial equity audit, the shareholder proposals were withdrawn.
- In December 2022, SHARE filed a proposal at Nutrien asking the board to report to shareholders on the extent to which the company's policies, plans, and practices on Indigenous reconciliation compare to or are certified by external Indigenous-led standards of practice. Following discussions with the company, Nutrien agreed to formalize its status in the Progressive Aboriginal Relations program in calendar year 2023 and to complete certification within three years.
- As part of Climate Engagement Canada, SHARE met with CN Railway. SHARE found that CN Railway has made progress on setting a 1.5-degree Celsius pathway and setting more ambitious net-zero goals and absolute reductions. SHARE will continue to engage with CN Railway through Climate Engagement Canada to ensure that CN Railway is not complacent and continues to lead others.

The pension plan also engages with its investment managers. This is very important because they are the ones making the investments on behalf of the plan. All of the investment managers integrate ESG considerations 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 and provides peer benchmarking. ESG integration is a top consideration when hiring investment managers.

Engaging our investment managers on their ESG efforts is an ongoing process. As an example, one of our investment managers, Fiera Capital, made an Indigenous Engagement and Inclusion Pledge, partially as a result of our engagement efforts. Further, our staff have regular conversations with investment managers to engage companies on Indigenous Peoples' rights and other issues. In one instance, as a result of our raising awareness on Indigenous issues, an investment manager voted to approve a shareholder proposal for the preparation of reports on respecting Indigenous Peoples' rights for two US banks for shares held in the manager's own account.

The pension plan supports public policy outreach mainly through its relationship with organizations such as SHARE, the Canadian Coalition for Good Governance, and the Responsible Investment Association. Of note, the plan participates in Climate Engagement Canada through its relationship with SHARE. Climate Engagement Canada is a finance-led initiative that drives dialogue between finance and industry to promote a just transition to a net-zero economy.

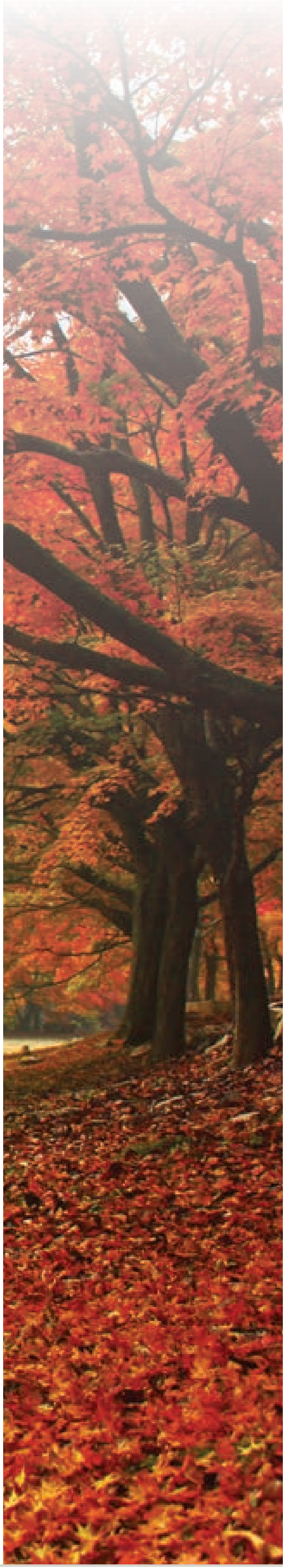
Proxy Voting

The pension plan uses external investment managers to manage its assets. For equity accounts, the plan directly holds 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 electing 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.

Following are the results on how the plan voted by category.

2023 Proxy Votes	Number	Agrees with Management	Contrary to Management
Meetings	96		
All Proposals	1,480	44%	56%
Director Elections	990	43%	57%
Executive Pay	160	32%	68%
Auditor Ratification	85	93%	7%
Shareholder Proposal	117	10%	90%
Environment	27	12%	88%
Social	41	12%	88%
Governance	49	9%	91%

GIR voted on 1,480 proposals at 96 meetings on the plan's behalf. Overall, the plan disagreed with a company's management 56% of the time. For shareholder proposals, the plan voted against management 90% of the time.



A few examples of shareholder proposals that the plan voted in favour of:

- Shareholder proposal requesting Dollarama to disclose the specific objectives related to its emissions goal and gender equality goals.
- Shareholder proposal that TJX Board of Directors oversee an independent assessment and report to shareholders on the effectiveness of the company's current due diligence to prevent forced labour, child labour, and prison labour in its supply chain.
- Shareholder proposal requesting that Alphabet's Board of Directors carry out an assessment and publish a report describing how it identifies and resolves discrepancies between Alphabet's lobbying activities and its commitments to mitigate climate impact and support the Paris Agreement, which aims to limit average global warming to 1.5°Celsius by 2030.

As an example of successful engagement, Canadian Pacific Kansas City's management sought advisory approval of the company's approach to climate change. The company has pledged to reduce the intensity of greenhouse gas emissions from its locomotives by more than 38% by 2030, compared with 2019. The plan voted in favour.

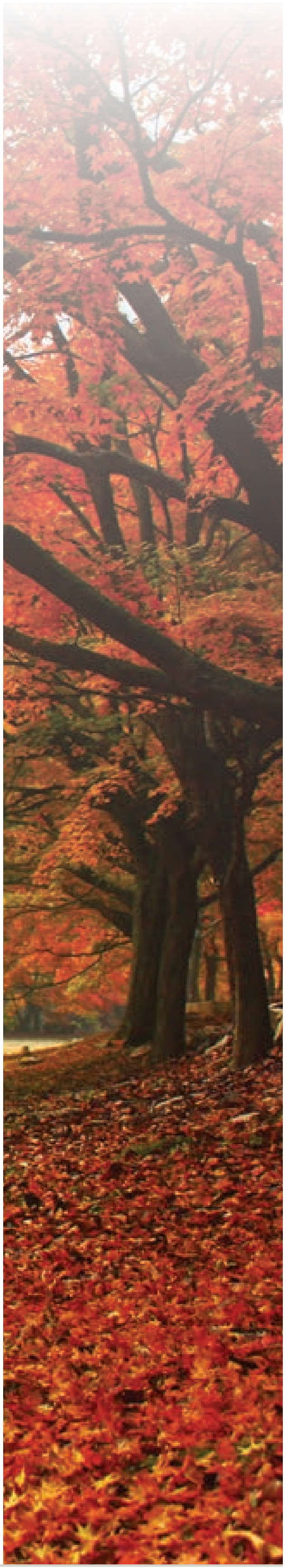
Commitment to Net Zero by 2050

In 2022, the pension plan signed on to the Canadian Investor Statement on Climate Change. With that commitment, the 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. Developing milestones to meet the net-zero emissions goals by 2050 is part of the plan's strategic plan and part of the SIWG's mandate.

So far, the journey to net zero has focused on education and collecting greenhouse gas (GHG) emission data on the portfolio of assets so that we can determine the portfolio's carbon footprint.

GHG emission data is broken into three types as follows:

- Scope 1 GHG emissions are direct carbon emissions that a company generates while performing its business activities. These include generating electricity, heat, or steam.
- Scope 2 GHG emissions are the indirect emissions generated by the production of purchased energy. These include purchased electricity, heating, or cooling.
- Scope 3 GHG emissions are all other indirect emissions that occur in the value chain of a company and are not already included in scope 2. These emissions

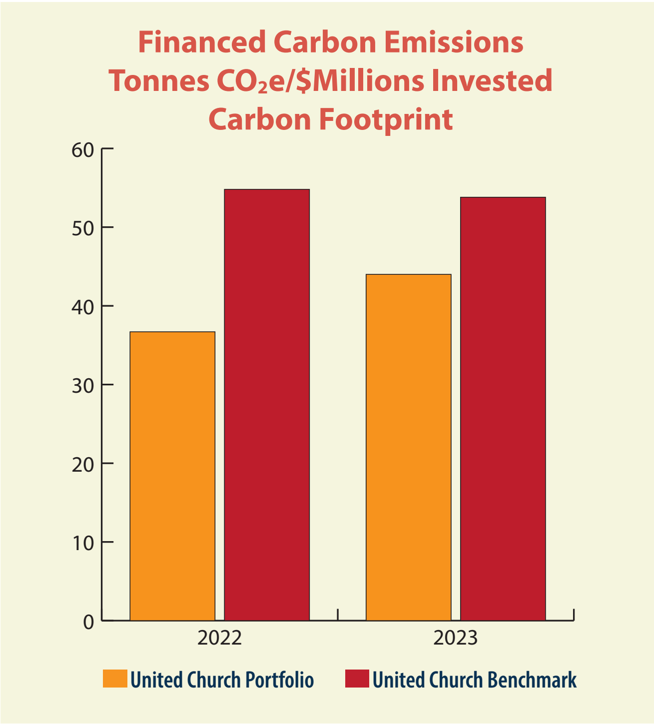


are a consequence of the company's business activities but occur from sources the company does not own or control. These include emissions generated from the use of sold products and services.

Scope 1 and 2 emissions are more readily available based on companies' reporting practices.

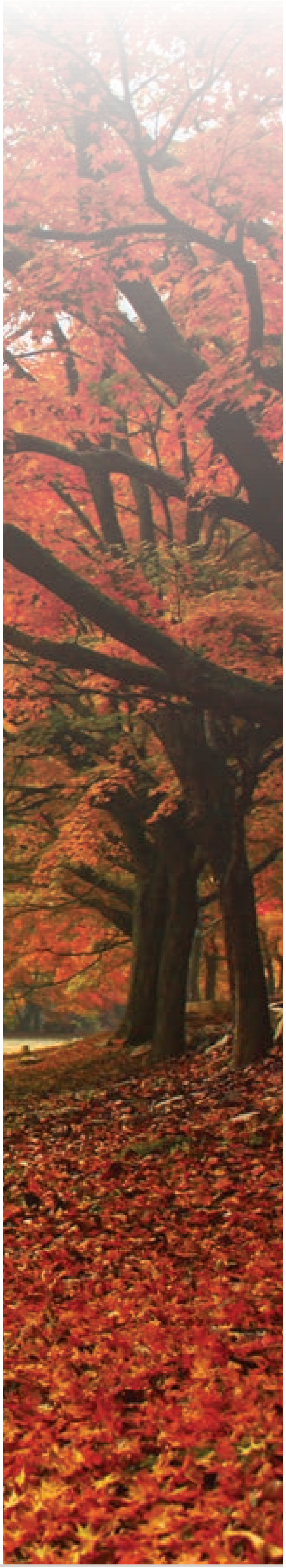
In terms of the pension plan's investments, the focus is on the financed emissions, which are indirect emissions attributed to financing activities from lending or investing.

The plan is currently focused on capturing scope 1 and 2 financed emissions data. The chart shows that for both years the plan's financed emissions were less than its passive investment benchmark. Note that only about 50% of the assets were included in these measures. GHG emission data was not available for government bonds, including federal, provincial, and municipal bonds as well as investments in private equity and real estate, so these assets were not included. The portfolio-financed emissions increased in 2023 mainly because our fixed income managers invested in bonds with companies that have higher greenhouse gas emissions. Staff will be engaging our fixed income investment managers to align with the pension plan's net-zero goals.



The plan will continue to work towards our net-zero 2050 commitment.

Through good investment manager selection and engagement, the plan's carbon footprint is already below its benchmark.



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

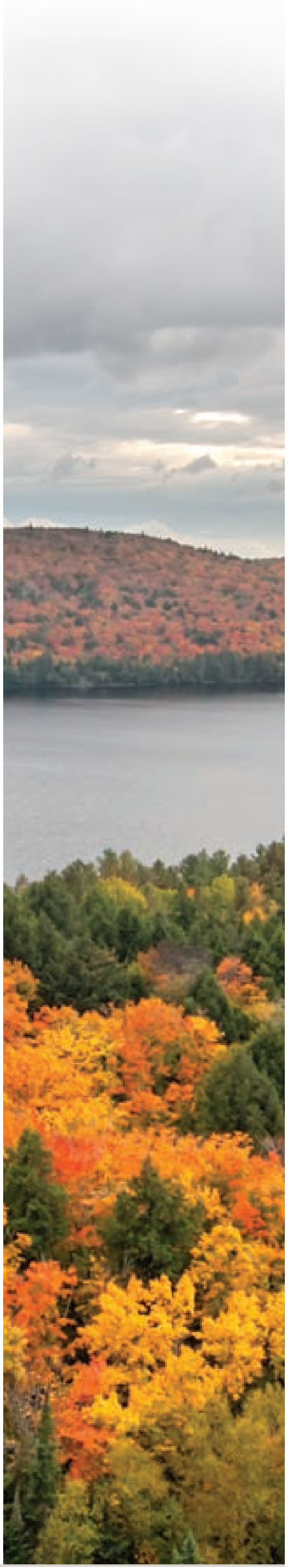
Benefits@united-church.ca
Disability@united-church.ca
Pension@united-church.ca

United Church employees staff the centre, which is 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 as follows:

- Brown Mills Klinck Prezioso LLP (BMKP Law) provides legal services for the pension plan. In this role, they advise the plan on 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, delivering fiduciary education to board and committee members, and periodic legal updates.
- Mercer provides actuarial and consulting services for the plan, including ongoing monitoring of the plan's funded status. They also attend Pension Plan Advisory Committee 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, 2023.



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 Pension Plan Advisory Committee 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. It provides guidelines for members of the Pension Board and its delegates in making decisions on 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, which was approved by the General Council Executive in May 2020, will be reviewed following the asset liability study currently underway.

COMMUNICATIONS FROM THE BOARD

Keeping You Informed

The goal of communications from the Pension Board and the Shared Services 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 and group benefits plans, including the steps to take when you are ready to retire.

The United Church Benefits Centre has been working on an enhanced in-house administration system with an intuitive and member-centric portal that will be ready to roll out in late 2024. More information about this can be found on the Pension and Benefits Administration System (PABAS) page.

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

Online Seminars

Staff in the Shared Services 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 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 Shared Services Unit. **The most recent Pension Information Seminar was held on September 16, 2024. Watch for our next seminar in February 2025.**

If you would like to review previous seminars, recordings are available at United in Learning's YouTube channel.

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

Thea Sheridan-Jonah

Anne Soh, FSA, FCIA (Chair)

Joanne Wilson, BSc, MBA (to June 2024)

Pension Plan Advisory Committee (PPAC)

James Clarkson, CPA, CA (to May 2024)

Juan Diz, BA (Hons)

Audrey Forbes, BAS, CEBS, MPA

Corbin MacGillivray, BSc, ASA (from June 2024)

Alison McKay, BA, BAdmin, CPA, ICD.D (Pension Board representative from June 2024)

Laura Newman, FCIA, FSA

Kevin Pyo, FSA, FCIA

Helen Redmond, BA (Hons) (from June 2024)

Jacques Tremblay, FCIA, FSA, MAAA (Chair)

Joanne Wilson, BSc, MBA (Pension Board representative to June 2024)

Investment Committee

Adam Buzanis, CFA

Cathy Carlin, CFA (from September 2023)

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

Samantha Cleyn, CFA, MBA (from February 2024)

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

Lori Hall-Kimm (from September 2023)

Sean Macaulay, CFA

Deborah Ng, CFA, M. Finance

Katharine Preston, MBA, BEng (Pension Board representative)

Steve Smith

Mary Anne Wiley, CFA (to December 2023)

Kathleen Wylie, CFA

Staff Support

David Dawrant, Director, Pension and Benefits Administration

Rev. Alan Hall, Executive Officer, Shared Services

Derek Hurst, Pension Fund Manager

Harry Li, 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 Plan Annual Report is distributed online.

For questions and comments, contact:

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srosa@united-church.ca or PensionBoard@united-church.ca

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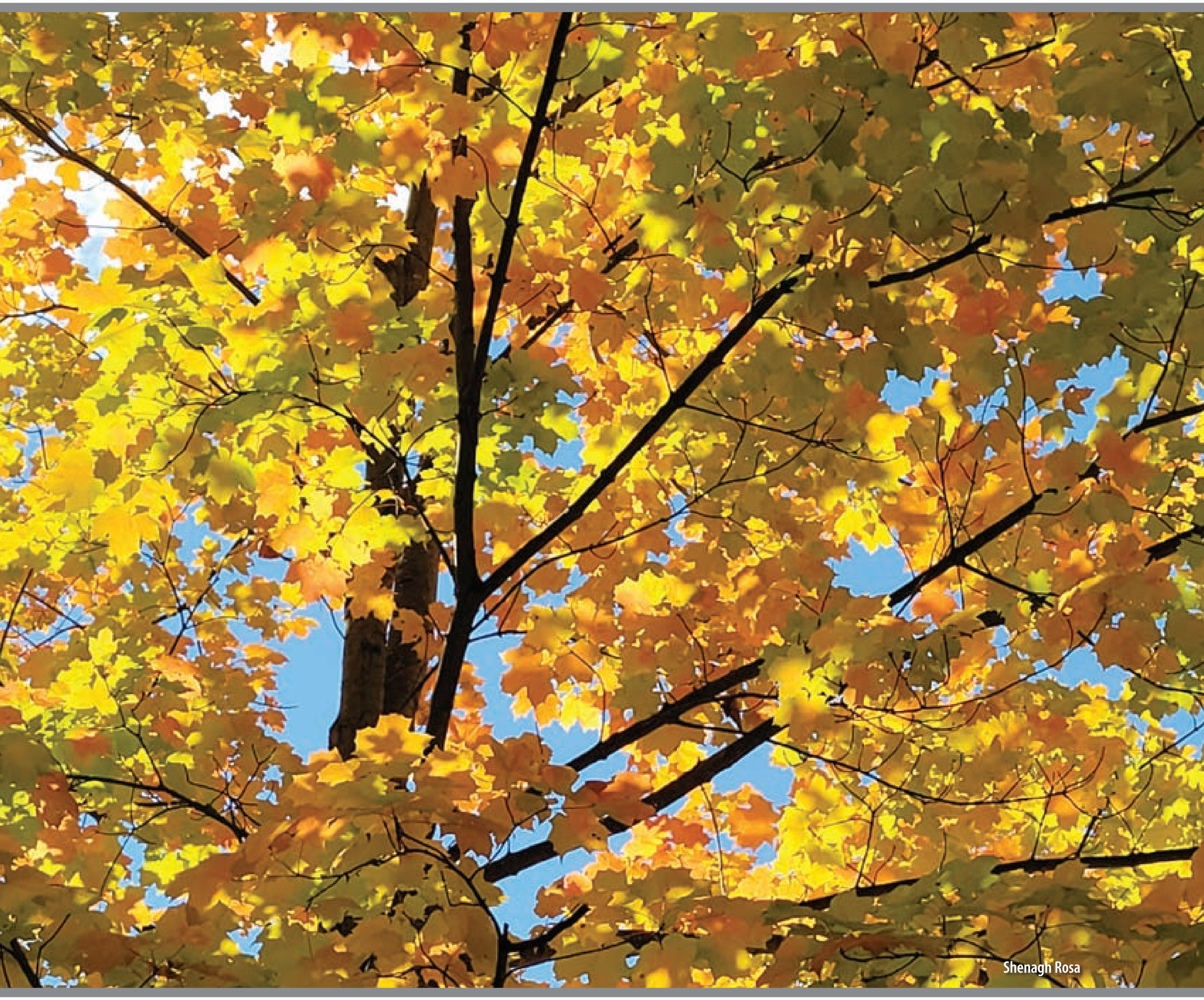
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