

## **Pension Board Accountability Report**

**Origin: Pension Board**

### ***Recommended questions for discussion by the Executive***

Where in the accountability report do you see evidence of the Pension Board's execution of the responsibilities delegated to it by the Executive?

### ***Additional items recommended for approval by the Executive***

#### **Terms of Reference of the Executive of the General Council in its role as Plan Administrator**

As per item 2.a.vi of the Pension Board Accountability Report, the Board recommends the draft Terms of Reference which document, in one place, the Executive's retained responsibilities in relation to the Plan. Proposal follows.

#### **Funding Policy**

As per item 3.e of the Pension Board Accountability Report, the Board agreed to recommend the updated **Funding Policy** to the Executive for its approval. Proposal follows.

## **PENSION BOARD ACCOUNTABILITY**

### **REPORT Context**

As the legal administrator of the Pension Plan of The United Church of Canada (**Plan**), the Executive of the General Council (the **Executive**) is responsible for ensuring that the Plan and its pension fund (**Fund**) are operated prudently and in accordance with their terms and applicable law.

The Executive has extensively delegated responsibility for Plan and Fund oversight to the Pension Board and supporting committees, which are principally comprised of subject matter experts. The Executive retains few Plan- and Fund-related tasks, which are detailed in the Plan's governance documents.<sup>1</sup> The Executive's retained responsibilities generally entail (1) establishment and modification of the governance structure for the Plan and Fund; and (2) ensuring that the Pension Board, Pension Plan Advisory Committee (**PPAC**) and Investment Committee (**IC**) have the necessary skills and experience required to fulfil their mandates.

This Accountability Report for the period November 1, 2024, through October 31, 2025, (the **Reporting Period**) is intended to assist the Executive with discharging its retained responsibilities. Except as indicated, the Report incorporates information provided by the Board based on its governance responsibilities, reporting supplied by the PPAC and the IC relating to their oversight responsibilities, and information supplied by Staff, in each case to the best of the relevant party's knowledge and belief.

Appendix B to this Report includes "Fast Facts" about the Plan, which are excerpted from the 2024 Pension Annual Report.

### **1. Executive Summary**

Subject to the commentary provided, the Plan has an appropriate governance structure, professional support, tools and experienced staff to meet its compliance obligations.

As of the end of the Reporting Period, subject to the qualifications noted, the Plan and the Fund were operating in substantial compliance with their terms and applicable law. There was no litigation against, or brought on behalf of, the Plan or the Fund.

As of the most recent actuarial valuation report for funding purposes (as at December 31, 2023), the Plan was in a surplus position on both a going concern basis (funded ratio: 121%) and wind-up basis (transfer ratio: 125%).

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<sup>1</sup> See Appendix A for a list of key governance documents relating to the Plan.

The Plan was amended effective January 1, 2025, to provide an ad hoc benefit improvement consisting of (1) a one-time 2.7% increase to retirees' and deferred members' pensions; and (2) for active members, an accrual rate of 1.85% for 2025 only (increase of 0.45%).

The Plan continues to attract and retain a very diverse, talented and experienced group of industry experts who volunteer their time and expertise to serve as members of the Pension Board, the PPAC and the IC, in addition to two members of the Executive and two members at large from the church constituency appointed by the Executive to the Pension Board. As of the end of the Reporting Period, Pension Board, the PPAC and the IC possess the necessary mix of skills and experience to discharge their mandates. A search is currently underway for two members-at-large to serve on the Pension Board.

## 2. Governance

### a. Summary of Key Activity and Material Developments

Subject to the commentary provided, the Plan has an appropriate governance structure, professional support, tools and experienced staff to meet its compliance obligations. The Pension Board reports the following key activities and material developments in respect of its scope of responsibility:

- i. The Board continues to oversee implementation of the new Pension and Benefits Administration System (**PABAS**), which is currently in its stabilization phase after going live November 2024.
- ii. At the Pension Board's June 2025 meeting, the PPAC Chair updated the Pension Board on the status of the PABAS project and related Plan administration issues. The update outlined certain member experience shortcomings, including legacy delays delivering benefit packages to a number of members who had terminated plan membership. Issues were also raised relating to compensation of staff with Plan-related responsibilities and the importance of ensuring that the Plan is adequately staffed and administered by personnel with the appropriate talent, skills and experience. The Board established a Working Group consisting of a subset of its members to provide advice and support to management. The Working Group has engaged Willis Towers Watson (**WTW**) to conduct a compensation review to help formulate recommendations, and will provide an initial report to the Board at its December, 2025 meeting regarding the action the Board has asked to be taken to address the issues identified.
- iii. An asset/liability (**AL**) study was completed in Q1 2025, by a cross-committee working group with assistance from Mercer, the Plan actuary. Following on the AL Study, a modified asset mix for the Fund is being phased-in gradually over the next five years.

- iv. The Enterprise Risk Management (**ERM**) Task Group, another cross-committee working group, began its work in October 2024. With assistance from Willis Towers Watson (**WTW**) who were contracted to consult on the project, the ERM Task Group plans to present a risk register for the Plan in time for the Q1 2026 Board and committee meeting cycle.
- v. At its December 2024 meeting, the Pension Board approved an updated Code of Conduct for pension governors and staff.
- vi. At its March 2025 meeting, Pension Board reviewed draft Terms of Reference which document, in one place, the Executive's retained responsibilities in relation to the Plan. The Board-recommended draft is recommended to the Executive for approval at its November 2025 meeting.
- vii. A governance policy is being developed to document, in one place, the principal elements of the existing governance structure in anticipation that a review of that structure will be initiated in 2026.
- viii. A proposed Climate Action Plan advancing the Plan's commitment to Net Zero by 2050 for plan investments is expected to be presented to the Board at its December 4, 2025, meeting.

#### **b. Compliance**

Subject to the commentary provided, the Pension Board reports the following in the Reporting Period:

- In discharging its duties and responsibilities, the Pension Board complied with its Terms of Reference in all material regards. ✓
- Compliance certificates were obtained from all Pension Board members confirming their compliance with the Code of Conduct for the Plan. ✓

### **3. Plan Administration**

#### **a. Funding**

The Plan's funded status was monitored for consistency with the Funding Policy for the Plan. As of the most recent actuarial valuation report for funding purposes, the funded position of the Plan was as follows:

	Going Concern	Wind-up
Valuation Date	December 31, 2023	
Asset (\$M)	\$1,675	\$1,485
Liability (\$M)	\$1,387	\$1,187
Surplus (Deficit) (\$M)	\$288	\$297
Funded Ratio	121%	125%

In the Reporting Period contributions to the Fund were remitted to the trustee as and when required. ✓

An actuarial valuation report in respect of the Plan was prepared and filed with the applicable regulatory authorities, in accordance with applicable law (Valuation date: December 31, 2023). ✓

#### b. Compliance

Subject to the commentary provided, in the Reporting Period the Plan was administered in substantial compliance with its terms and applicable law. ✓

In discharging its duties and responsibilities, the PPAC complied with its Terms of Reference in all material regards. ✓

Compliance certificates were obtained from all PPAC members confirming their compliance with the Code of Conduct for the Plan. ✓

**Commentary (significant activities and additional context).** See above under Governance > Summary of Key Activity and Material Developments > Item (ii).

#### c. Communications

The terms and features of the Plan were communicated to members, beneficiaries, participating employers and other interested persons. ✓

**Commentary (significant activities and additional context).** Information regarding the Plan is available via multiple channels, including the Benefits Centre website, in the Plan Summary, and via semi-annual online Pension Information Seminars.

#### d. Regulatory Filings

The following were filed on a timely basis, with the applicable regulatory authority(ies) in the Reporting Period:

- Annual Information Return (FSRA<sup>2</sup> Form 2) ✓
- Audited Financial Statements for the Fund<sup>3</sup> ✓
- The following amendment(s) to the plan text, FSRA Form 1.1 (Application for Registration of a Pension Plan Amendment) and CRA Form T920 (Application to Amend a Registered Pension Plan):  
**Amendment 2025-1** (Ad hoc pension improvement) ✓
- Pension Adjustment (PA) reporting ✓
- FSRA Assessment Fees were paid when due. ✓

#### e. Policy Review

In the Reporting Period, PPAC reviewed the Funding Policy, recommending non-material changes in keeping with good governance practices. At its September 10, 2025 meeting, PPAC endorsed the updated Funding Policy for presentation to the Pension Board for consideration at its October 2025 meeting. The Board agreed to recommend the updated Funding Policy to the Executive for its approval.

#### f. Service Providers

In the Reporting Period, the PPAC exercised oversight of non-investment related service providers in accordance with the applicable service standards and the following material items are noted:

**Mercer (Plan Actuary)** Mercer provides actuarial and consulting services for the Plan, including ongoing monitoring of the Plan's funded status. Mercer also attends meetings of the PPAC to provide analysis of legislative changes.

**TELUS Health (Administration Systems Provider)** Telus Health provides and supports, on a contractual co-sourced basis, the Plan's pension and benefit administration system. The system has been in implementation phase from 2020 to 2024, going live for

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<sup>2</sup> "FSRA" refers to the Financial Services Regulatory Authority of Ontario, the Ontario pension regulator.

<sup>3</sup> The auditor, KPMG, issued an unqualified opinion on the 2024 Audited Financial Statements (AFS). In compliance with legislative requirements for multi-employer pension plans, the AFS show the net assets available for benefits, but do not show the Plan liabilities.

administrator use in November 2024 and anticipated member access by the end of 2025.

**ADP (Payroll Service Provider)** Provides payroll services to the general council office and regions, as well as the pastoral charge payroll service, facilitating the flow of pension and benefit premiums and data.

**MBS (Data Consultants)** Provide data cleansing and support the ADP Data Formatter.

**Prescient Compensation Law (External Pension Law Counsel)** John Prezioso, of Prescient Compensation Law, provides legal services to the pension plan. Until June 2025, he fulfilled this role as a partner at Brown Mills Klinck Prezioso LLP, but he has since done so through his own law firm, Prescient Compensation Law. He advises the Plan with regard to pension standards and income tax compliance issues, as well as matters of Plan administration, interpretation, and communication. He also supports Plan governance, attending meetings of the Pension Board and PPAC as a guest on a non-chargeable basis, providing support and insight as needed, delivering fiduciary education to Board and committee members, and delivering periodic legal updates.

**KPMG LLP, Chartered Accountants** KPMG serves as the auditor for the Fund. KPMG audited the special purpose financial statements for the Fund year ended December 31, 2024. (overseen by Audit Committee of The United Church of Canada General Council)

**g. Other material developments**

The following material developments in the Reporting Period in respect of the PPAC’s scope of responsibility are noted: **None.**

**4. Investment**

**a. Returns**

	<b>Absolute Returns</b>
<b>Actual</b>	3.82%  (4-year period ended December 31, 2024)
<b>Target</b>	>4.16%  (Return of the Policy Benchmark Portfolio + >0.25%, net of investment management fees, measured on a 4-year basis)

## b. Oversight

Subject to the commentary provided, in the Reporting Period:

- The IC reviewed the Statement of Investment Policies and Procedures (SIPP) for the Plan. As appropriate, changes to the SIPP were recommended by the IC to the Pension Board for its approval. ✓
- The IC reviewed the overall investment structure, operation and costs to ensure that they continue to support the goals and objectives of the Fund and the Plan. ✓

### Commentary

The Fund did not meet the above target due to below-benchmark performance in Global equity, Canadian equity and private equity. Global equity returns largely reflect the performance of new managers appointed in Q3 2020. Although performance is below benchmark, among global equity mandates the Fund's global equity performance was close to first quartile over four years. Manulife has been managing Canadian equity for the Fund for two years, which is too short a period to draw conclusions on performance. Private equity provided strong absolute returns of 9.2% over four years, however it did not meet the absolute benchmark of 11%. Over 10 years the return on private equity was 13.6% exceeding the 11% absolute benchmark.

## c. Compliance

Subject to the commentary provided, in the Reporting Period:

- The assets of the Fund were invested in material compliance with the SIPP. ✓
- In discharging its duties and responsibilities, the IC complied with its Terms of Reference in all material regards. ✓
- Compliance certificates were obtained from all IC members confirming their compliance with the Code of Conduct for the Plan. ✓

**Commentary (significant activities and additional context).** No issues noted.

## d. Regulatory Filings

Subject to the commentary provided, the following were timely filed with the applicable regulatory authority(ies) in the Reporting Period:

- Investment Information Summary (FSRA Form 8) ✓
- As applicable, amendments to the SIPP approved by the Pension Board and a FSRA Form 14 (SIPP Information Summary) ✓

**Commentary (significant activities and additional context).** No issues noted.

**e. Investment-related Service Providers**

In the Reporting Period, the IC exercised oversight of the following investment-related service providers in accordance with the applicable service standards and the following material items are noted:

**RBC Investor Services Trust (Custodian).** No issues noted.

**Shareholder Association for Research and Education (“SHARE”).** A Canadian leader in responsible investment services, research, and education, SHARE provides engagement services to the Pension Board. No issues noted.

**Groupe Investissement Responsable (“GIR”).** GIR votes the United Church’s proxies. The IC works with GIR to determine how the Plan should vote on particular issues. No issues noted.

**KKR US Senior Direct Lending fund.** In 2024, a \$20 million dollar commitment was made to the KKR US Senior Direct Lending fund. The funding for this commitment will come from existing corporate debt mandates. To date, the commitment has not been funded.

**Other Managers.** No issues noted. There were no other manager changes pending completion of asset liability study.

**f. Other material developments**

The following material developments in the Reporting Period in respect of the IC's scope of responsibility are noted:

- In 2024, the Board appointed a nine-person Asset Liability Study Working Group from members of the Board, IC and PPAC. Mercer was engaged to complete forecasts and modelling. The Working Group completed its work at the beginning of 2025, and the Board approved the below new asset mix at its March 27, 2025, meeting.

	Current	New
Canadian Corporate Bonds	15%	20%
Canadian Universe Bonds	34%	10%
Canadian Long-Term Bonds	6%	25%
Total Fixed Income	55%	55%
Public Equity	30%	25%
Real Estate	8%	8%
Private Equity	4%	5%
Infrastructure	3%	7%
Total Equity	45%	45%

- The Board further agreed that the IC has up to five years to implement changes for the increased infrastructure and private equity allocations. Also, over the next year, the IC will study the risk/return of using leverage in the fixed income portfolio. If found suitable, the IC will make a recommendation to the Board.

**Appendix A**  
**List of Governance Documents**  
**(as of October 16, 2025)**

1. Statement of Beliefs and Guiding Principles ([Link](#))
2. Code of Conduct for the Pension Plan and Fund ([Link](#))
3. Terms of Reference of the Executive of the General Council (pending Executive approval)
4. Pension Board Terms of Reference ([Link](#))
5. Investment Committee Terms of Reference ([Link](#))
6. Pension Plan Advisory Committee Terms of Reference ([Link](#))
7. Pension Plan Funding Policy ([Link](#))
8. Statement of Investment Policies and Procedures ([Link](#))
9. Responsible Investment Process Guidance ([Link](#))

## Appendix B Fast Facts (excerpted from the 2024 Pension Annual Report)

