

FOUNDATION FOR SUPERANNUATION
OF THE CANADIAN REFORMED CHURCHES

2012 ANNUAL REPORT OF THE TREASURER OF THE
ADMINISTRATION COMMITTEE

Introduction

This report summarizes and comments on the results of our operations for the 2012 calendar year. The year 2012 continued to be a challenge in terms of our investment returns since there continued to be some market volatility in the year. Our income from interest and dividends has recovered somewhat and we experienced a yield on average total assets of 5% this year (3.4% net of management fees) which compares favourably to general yields. While we would prefer to achieve slightly higher earnings, the conservative nature of our investment assets is the main reason for our present rate of return. Achieving a higher rate of return would require us to invest in higher-risk securities, which we choose not to do. This year the modest performance of our investment portfolio means that we did not meet the portfolio benchmark. However, our investment advisers tell us that our returns are expected to improve in the long-term.

Securities selected for us are primarily purchased using a "value" investment approach together with a few other criteria including a preference for securities having an income stream, as opposed to having to rely on an increase in the value of the securities for income purposes. It is therefore possible to underperform any given benchmark from time to time. However, this same approach also provides us with the ability to outperform the indices when markets advance without taking on the same risk as the indices.

Financial Results

This year our net investment income of \$125,097 compares to the prior year's \$52,276 and \$178,551 in 2010. In comparing these figures it must be borne in mind that 2008 was the year when security values dropped dramatically and the substantial investment income we earned in following 2 years reflected a significant recovery in values.

The net investment income consists of the following:

	<u>2012</u>	<u>2011</u>
Interest, dividends and other investment income	\$ 92,349	\$ 81,659
Foreign withholding taxes unrecoverable	(2,395)	(2,083)
Realized and unrealized portfolio gains (losses)	<u>35,143</u>	<u>(27,300)</u>
	<u>\$ 125,097</u>	<u>\$ 52,276</u>

The content of our Dundee-managed investment portfolio at the year end was as follows:

	2012	2011
Cash and cash equivalents	4.28%	12.76%
Fixed income products, including GICs	23.76%	28.15%
Common stock and preferred shares	37.06%	47.32%
Canadian mutual funds and investment savings accounts	29.37%	7.65%
Foreign mutual funds	3.18%	2.81%
ScotiaBank gold certificates	2.35%	1.31%

Our rates of return during the last six years were as follows:

Year	2007	2008	2009	2010	2011	2012
Rate of return	1.4%	-9.5%	16.5%	6.9%	2.0%	5.0%
Asset base	\$2,685,217	\$2,308,277	\$2,578,828	\$2,621,345	\$2,540,847	\$2,497,496

Asset Management

During 2012 I met with Jon McKinney of DundeeWealth Investment Counsel on one occasion and with Wade VanBostelen of Investment Planning Counsel on two occasions to review and discuss our investment portfolio.

I am able to report that all investments matters have been handled in accordance with our established long-term investment policy and there have been no issues that required our attention.

Our cash reserves continue to be tightly managed because part of the funding for the benefits that we pay out is covered by making periodic withdrawals from our investment account.

Benefits and Assessments

During 2012 the number of members receiving benefits from the Foundation increased by two to a total of 17.

Annual benefit rates during the past four years have been as follows:

	2009	2010	2011	2012
Married minister	\$29,126.40	\$29,155.56	\$29,855.28	\$30,571.80
Widow/widower	\$24,307.20	\$24,331.56	\$24,915.48	\$25,513.44
Dependent child	\$3,644.40	\$3,648.00	\$3,735.60	\$3,825.24
Orphan	\$7,288.80	\$7,296.00	\$7,471.08	\$7,650.48
Maximum supplementary benefit	\$6,658.63	\$3,329.32	\$ 0.00	\$ 0.00

Assessment rates during the past four years have been as follows:

	2009	2010	2011	2012
Per communicant member	\$16.28	\$16.48	\$17.04	\$18.76
Per active minister	\$3,291.20	\$3,327.36	\$3,440.52	\$3,784.60
Per professor or missionary	\$6,582.40	\$6,654.72	\$6,881.04	\$7,569.20

In 2012 the assessment rates were increased by 10% as described in the following section.

Projected Benefits

During the last few years there have been a few unforeseen, early retirements that have had a greater negative effect on our cash flow than we had previously planned for. It was also anticipated that in the normal course of events we could expect a number of additional retirements to occur in the coming few years. Accordingly, the Administration Committee carried out a number of cash flow projections and subsequently recommended to the Board of Governors that the assessments for each of the years 2012 through to 2016 be increased by 10% each year and the Board adopted that recommendation at its meeting on March 14, 2011. The recommended rate of increase was necessary to meet the commitments of the Foundation while maintaining a reasonable capital base. We anticipate that these evaluations and projections will be carried out on a regular basis and the Board will be kept informed of the results.

Respectfully submitted,



S.P.C. Vander Molen, CA
Administration Committee Treasurer

April 16, 2013