



University
of Regina



Pension Plan for the Academic & Administrative
Employees of the University of Regina
Defined Benefit (DB) Component
2019 Annual Report to Members

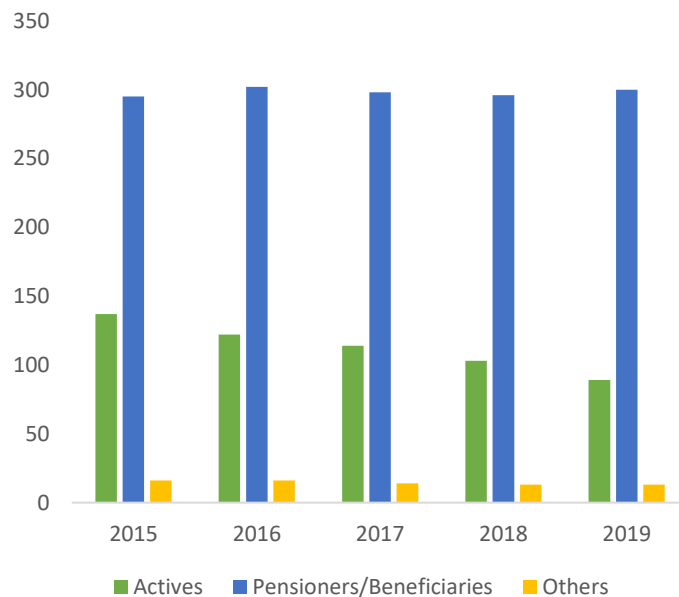
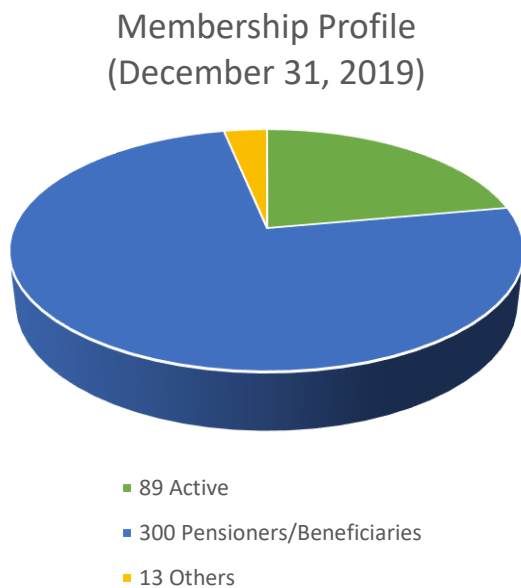
Plan Overview

The Academic and Administrative Pension Plan was established on July 1, 1965. The defined benefit (DB) component of the Plan has been closed to new members since 2000.

The DB component of the Plan provides you with a set monthly pension payment for the rest of your life. Your pension is calculated using a formula based on your years of credited service in the Plan and your best consecutive three year average salary at the time of your retirement. If you have a spouse at retirement, your pension will be adjusted to provide a lifetime pension to your spouse upon your passing.

Plan Membership

The membership profile at December 31, 2019, along with the membership movement over the past five years, has been illustrated below. Pensioners and beneficiaries make up 75% of the DB membership at December 31, 2019.



Pension Contributions

| 2019 | Pensionable Earnings |
|---|----------------------|
| Employee Paid | 7.5% |
| Employer Paid | 7.5% |
| Total Combined | 15.0% |
| The Income Tax Act (ITA) limits the annual benefit you can earn from a DB pension in 2019 to \$3,025.56. Pension contributions (\$22,691.70) and earnings (\$151,278) were limited to this maximum in 2019 for members of the Plan. | |

Retirement

The Plan provides for early retirement once either of the following provisions have been attained:

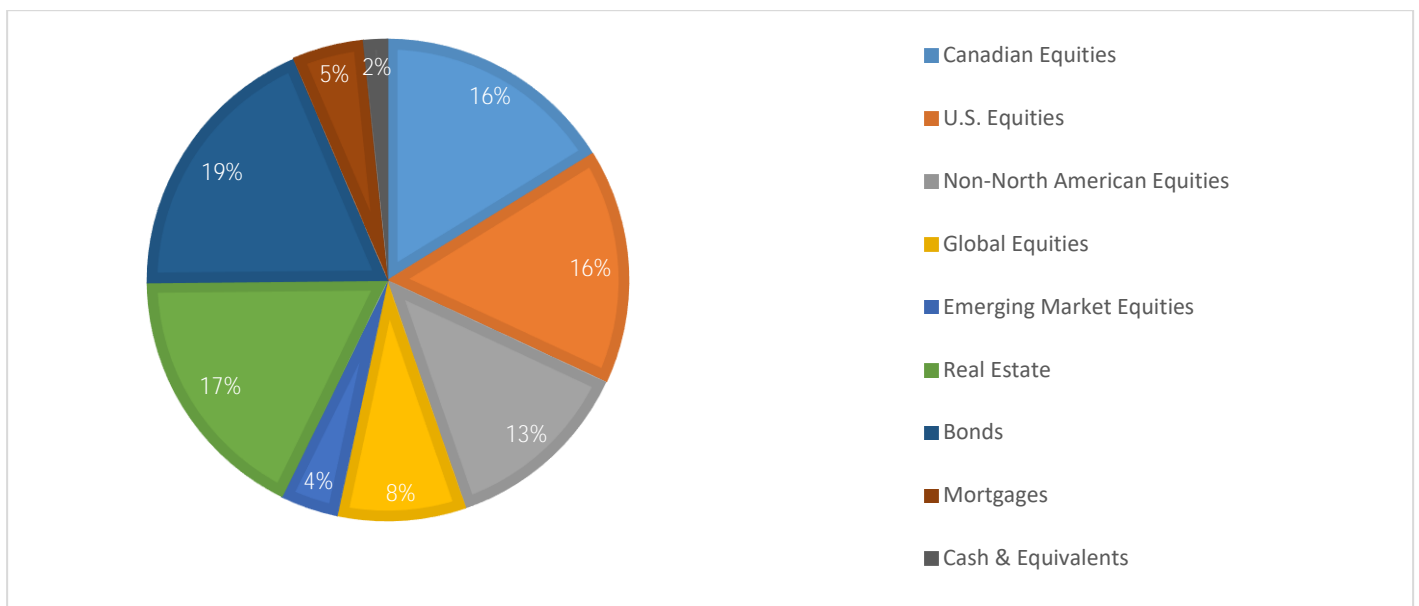
- Age 55, provided you have completed three years of service (an early retirement reduction may apply) or
- The sum of your age and years of service equal to at least 80.

Pension Plan Assets at December 31, 2019

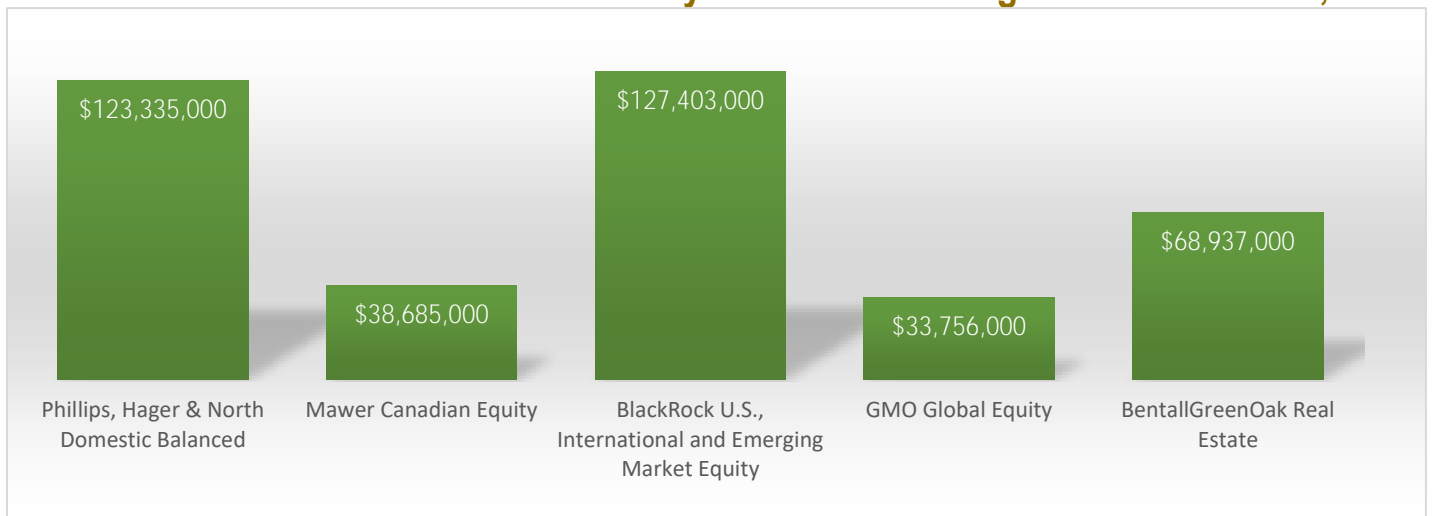
Market Value

The market value of the DB component of the **Academic and Administrative Pension Plan** assets at the end of 2019 totalled **\$280.7 million**. For investment purposes, the assets of the DB component of the Plan are combined with those of the Non-Academic Pension Plan into a single fund called the **Master Trust Fund**. The market value of the Master Trust totalled **\$392.1 million** at December 31, 2019.

Asset Mix of the Master Trust at December 31, 2019



Distribution of the Master Trust Assets by Investment Manager at December 31, 2019



The Markets

Following a sharp sell-off in late 2018, global equity markets were strong in 2019, with the MSCI All Country World Index (a proxy for global equities including emerging markets) returning 20.2% in Canadian dollar terms. Concerns around slowing global growth and trade wars contributed to volatility, but signs of increasingly accommodative central bank policies and positive steps towards a U.S./China trade resolution late in the year supported global equities.

The fixed income market, as represented by the FTSE Canada Universe Bond Index, returned 6.9% in the year. The Bank of Canada left interest rates on hold throughout 2019, retaining a positive outlook on the Canadian economy. The yield curve flattened over the year, with yields falling sharply at longer maturities compared to the short end of the curve, causing longer dated bonds to outperform shorter dated securities.

Investment Performance

A number of performance objectives are set out for the DB component of the pension plan. The primary objective is that the Total Fund return exceeds a benchmark portfolio return over a rolling four-year period. Over four years, the Master Trust Fund had mixed results:

- Real Return of 5.0% versus 3.7% objective;
- Below the Total Fund benchmark by 50 basis points;
- Exceeded the market returns in the Balanced Fund, bonds and mortgages.

| Investment Performance | 2019 | Last 4 Years | Last 10 Years |
|---------------------------|-------|--------------|---------------|
| Master Trust Gross Return | 13.3% | 6.9% | 8.3% |
| Benchmark Return | 14.8% | 7.4% | 8.0% |

Pension Plan Expenses

Plan expenses for 2019 were 0.3748% of the average market value of the assets within the Master Trust attributed to the DB component of the Academic & Administrative Pension Plan. The Plan is charged for expenses related to actuarial and consulting services, administration, investment manager fees and asset servicing fees.

Cost of Living Increases for Pensioners

The Plan provides for indexing of pensions to be granted each year at a rate that is equal to the increase in the previous year's rate of inflation as measured by the Consumer Price Index (CPI). However, in years that the Actuary is of the opinion that the full increase would impair the Plan's financial integrity, a lesser increase may be provided. A cost of living adjustment of **2.27%** was provided to eligible retired members commencing July 1, 2019.

Actuarial Valuation

The plan last filed an actuarial valuation report with the regulators at **December 31, 2018**.

Going-Concern Position of the Plan

The going-concern valuation provides an assessment of the Plan's financial position at the valuation date on the premise that the Plan will continue on into the future indefinitely.

| | 2018 | 2016 |
|--------------------------------|---------------|---------------|
| Actuarial Value of Assets | \$265,938,000 | \$273,264,000 |
| Actuarial Value of Liabilities | \$252,960,000 | \$272,446,000 |
| Surplus/(Deficit) | \$12,978,000 | \$818,000 |
| Funded Ratio | 1.05 | 1.00 |

The going-concern valuation included a liability to support future cost of living increases. The total reserve set aside for all members was estimated to be funded 100%.

Solvency Position of the Plan

The solvency valuation examines whether the Plan would be in a deficit or surplus position if it were closed (hypothetical wind-up) as of the valuation date. The Plan has been classified as a "Specified Plan" and is not required to fund solvency deficiencies.

| | 2018 | 2016 |
|--------------------------------|---------------|---------------|
| Actuarial Value of Assets | \$257,544,000 | \$262,085,000 |
| Actuarial Value of Liabilities | \$257,544,000 | \$264,496,000 |
| Surplus/(Deficit) | 0 | (\$2,411,000) |
| Solvency Ratio | 1.00 | 0.99 |

The solvency ratio is based on the premise that future cost of living increases would be scaled back to zero on plan windup to eliminate/reduce any deficit.

Transfer Deficiency Requirements

Since the ratio of the solvency assets to the solvency liabilities is equal to 1.00 as at December 31, 2018, there is no longer a requirement to hold back funds upon termination from the Plan. Funds that were held back while the Plan was in a solvency deficiency were transferred out of the Plan in October, 2019.

Plan Amendment

There were no amendments in 2019.

Governance Structure

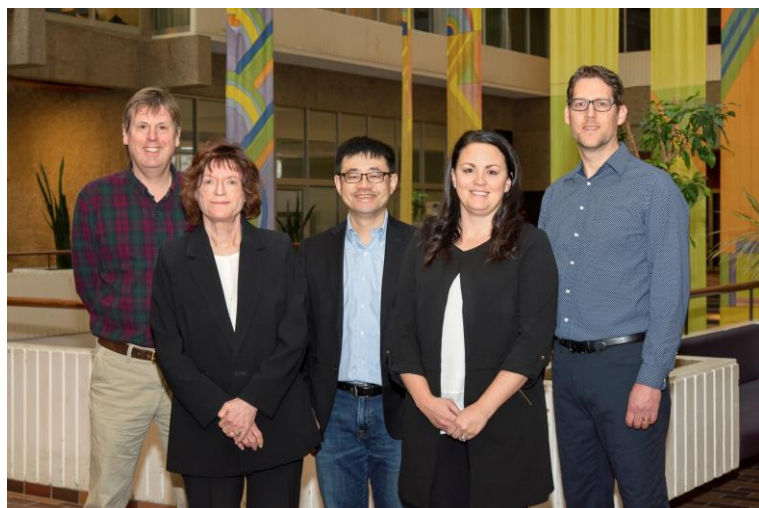
The Board of Governors is the Plan's legal administrator and as such accepts the associated fiduciary responsibilities associated with the Plan.

The Board delegates the majority of the governance duties associated with the pension plan to University administration and the Academic and Administrative Benefits Committee (AABC), both of which report on a regular basis back to the Board through the Human Resources Committee.

Academic and Administrative Benefits Committee (AABC)

The AABC is a Board of Governors appointed Committee. Its mandate is to advise the Board on pension and benefit related matters. The AABC consists of three members recommended by URFA, one retired member and three University representatives. At **December 31, 2019**, the AABC consisted of the following members.

| | |
|---|--|
| Gregory Bawden, Centre for Continuing Education | Peter Douglas, Mathematics and Statistics (Chair) |
| Kelly Kummerfield, Human Resources | Gaynor Kybett, URAAPA |
| Dr. Zhou (Joe) Zhang, Business Administration | Nola Joorisity, Business Administration |
| Dr. R. J (Jim) Tomkins, President Emeritus | <i>Recording Secretary: Temple Maurer, Human Resources</i> |



Left to Right: Peter Douglas, Kelly Kummerfield, Dr. Joe Zhang, Temple Maurer and Gregory Bawden
Missing: Nola Joorisity, Gaynor Kybett and Dr. Jim Tomkins

Meetings of the Committee

The Joint Pension Investment Committee (JPIC), which is made up of members of the AABC and the Non-Academic Benefits Committee (NABC), oversees all investment aspects related to the assets of the Master Trust Fund.

The Committees rely on the expertise of numerous consultants and investment managers in their oversight role. The AABC met on 11 occasions (including JPIC) throughout 2019. The key DB pension plan activities have been outlined in the following table.

| | |
|---|--|
| ➤ Quarterly Investment Performance Review and Investment Manager Evaluation | ➤ Considered Options and Recommended the Board Approve the Replacement of the Emerging Market and International Equity Investment Managers |
| ➤ Approved the 2018 Pension Plan Expenses and Expense Rate | ➤ Reviewed and Recommended the Board File a Funding Valuation at December 31, 2018 |
| ➤ Discussed Pension Risk Management | ➤ Approved the 2019 Budget and Workplan |
| ➤ Participated in a Pension Governance Review | ➤ Reviewed and Recommended the Statement of Investment Policies and Goals (SIP&G) |

Other Agents of the Plan

| | |
|-------------------------------------|---|
| Actuaries and Pension Consultants | Robert Vandersanden and Jacob Schwartz, Aon Hewitt (Vancouver, Saskatoon) |
| Performance Measurement Consultants | John Myrah and Erin Achtemichuk, Aon Hewitt (Regina) |
| Asset Servicing Provider | CIBC Mellon Global Securities Services (Calgary) |

The primary purpose of this report is to:

- provide defined benefit plan members an overview of the Plan at December 31, 2019
- review 2019 Master Trust investments and performance
- report on the 2019 activities of the Academic & Administrative Benefits Committee (AABC)

Please contact the Pension and Benefits unit in Human Resources or any member of the AABC if you have any questions about the items covered in this report.

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The information provided in this report is designed to give you an overview of the Academic & Administrative Pension Plan (defined benefit component) at December 31, 2019. Full details contained in the legal plan documents as well as applicable legislation will govern in all cases.