



University
of Regina



Pension Plan for the Academic & Administrative
Employees of the University of Regina
Defined Benefit (DB) Component
2020 Annual Report to Members

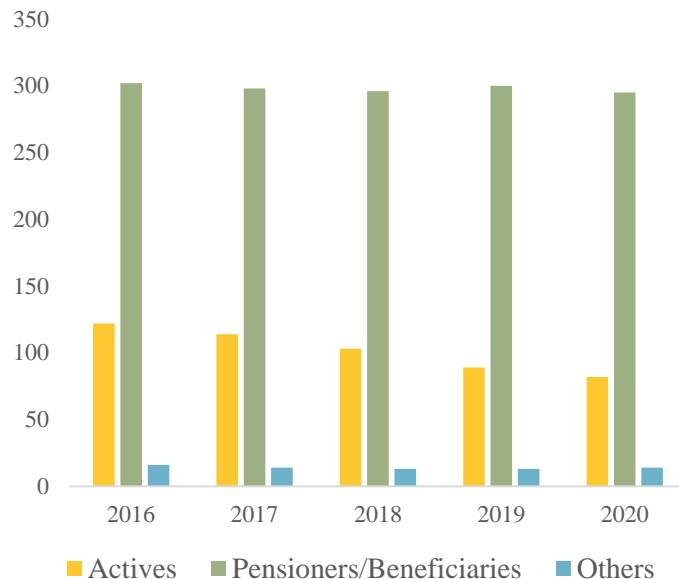
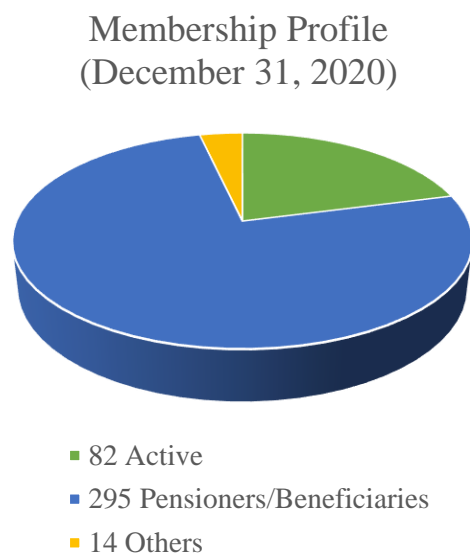
Plan Overview

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, 2020, 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, 2020.



Pension Contributions

2020	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 2020 to \$3,092.22. Pension contributions and earnings (\$154,611) were limited to this maximum in 2020 for active members of the Plan.

Retirement

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

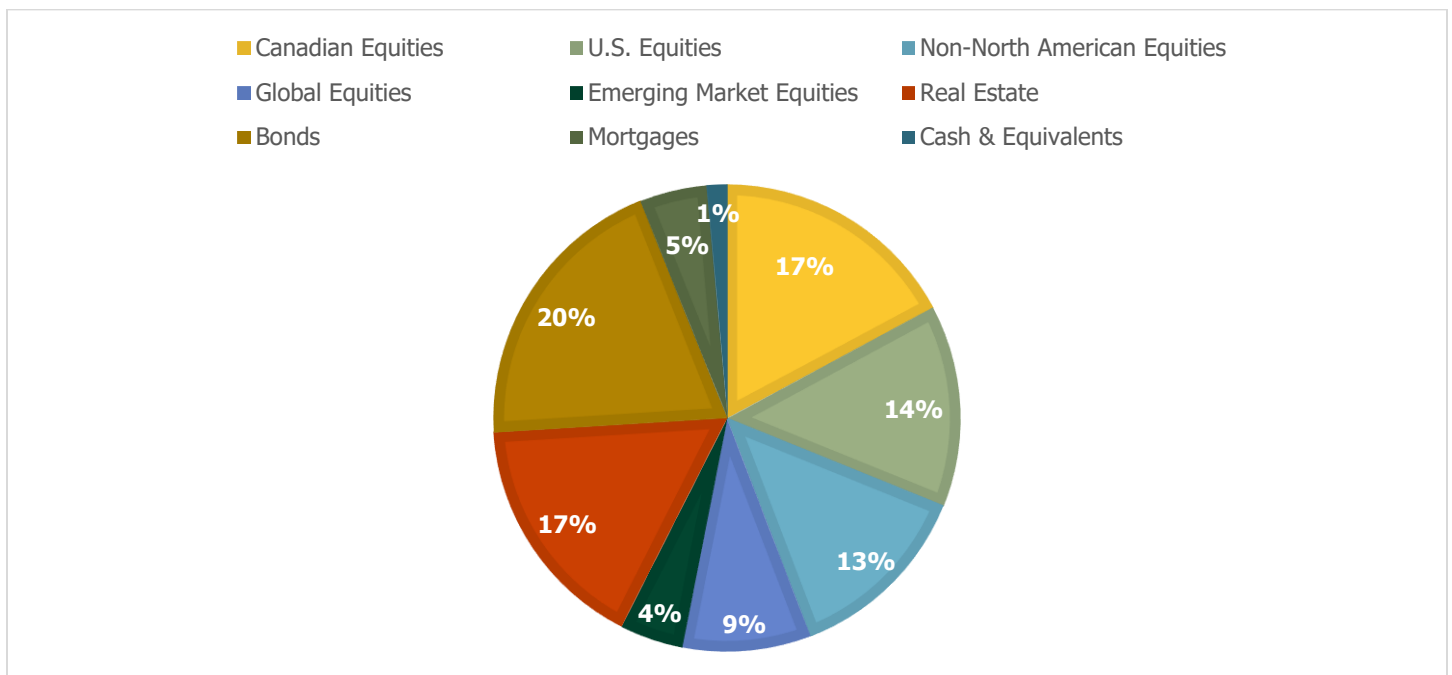
- Age 55, provided you have completed three years of service (an early retirement reduction may apply) or
- The sum of your age and years of service equal to at least 80.

Pension Plan Assets at December 31, 2020

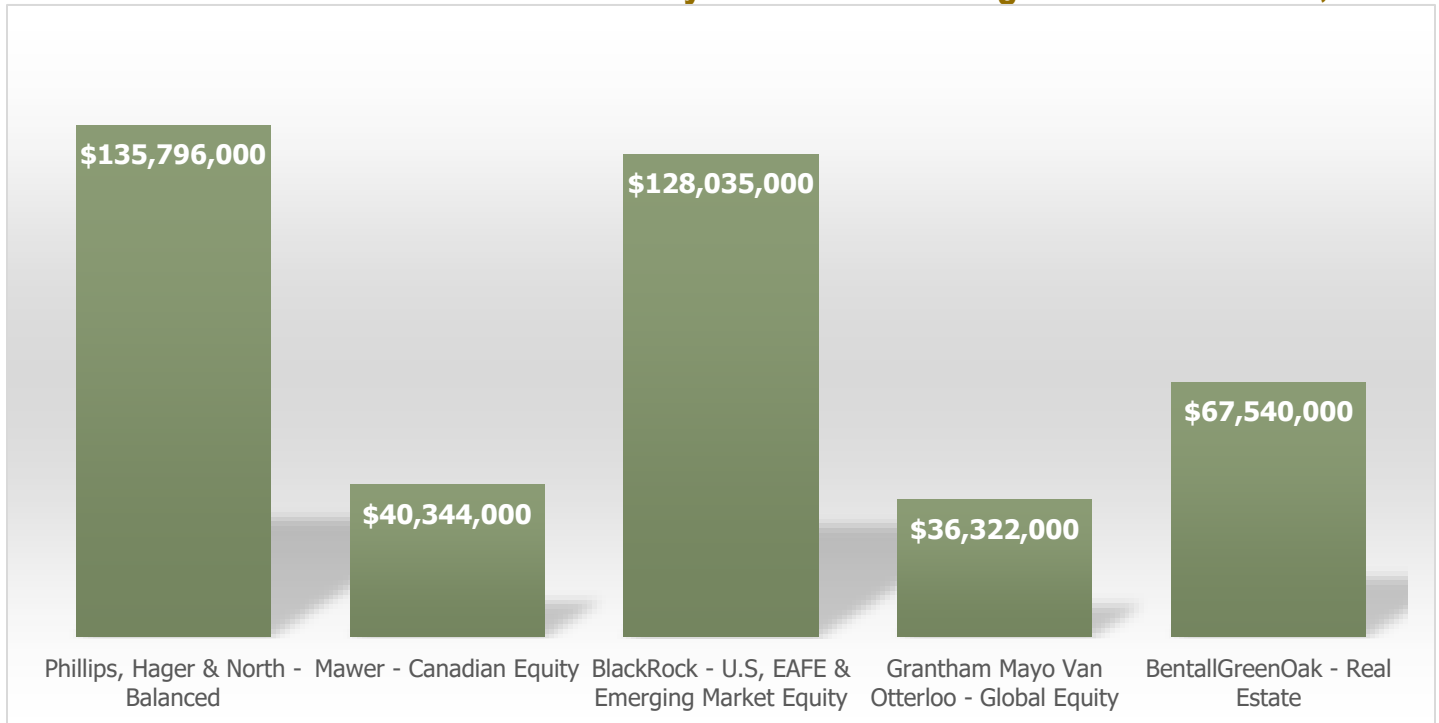
Market Value

The market value of the DB component of the **Academic and Administrative Pension Plan** assets at the end of 2020 totalled **\$289.9 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 approximately **\$408 million** at December 31, 2020.

Asset Mix of the Master Trust at December 31, 2020



Distribution of the Master Trust Assets by Investment Manager at December 31, 2020



The Markets

Global capital markets experienced tremendous volatility in 2020. The year began with equity markets showing continued momentum on gains experienced through most of 2019. The gains slowed by mid to late January as the world came to grips with the rapid spread of the COVID 19 virus. In mid-February, equity markets declined rapidly, marking the shortest bear market (+20%) decline ever witnessed in North American equity markets; equity markets bottomed on March 20th. Unprecedented bond market interventions by the Federal Reserve Bank of the U.S. and the Bank of Canada, in combination with extreme fiscal and monetary stimulus measures around the globe, resulted in a sharp rebound. Despite the 13.7% (CAD) first quarter decline for the MSCI All Country World Index (a proxy for global equities, including emerging markets), the equity market rebound continued through 2020 and the MSCI All Country World Index closed out the year with a 14.2% (CAD) annual return. Buried in the equity market recovery, was the very narrow leadership of certain Info Tech, Consumer Staples and Consumer Discretionary stocks that benefited from the “stay-at-home” measures necessitated by the COVID 19 pandemic.

The Canadian fixed income market also enjoyed strong returns in 2020, benefiting by demand for federal government bonds, and stimulus that gave confidence around investing in credit securities. As measured by the FTSE Canada Universe Bond Index, Canadian bonds returned 8.7%, their strongest annual return since 2014. The bond market benefited from a fall in market yields to historically low levels. Investment grade and non-investment grade corporate bonds benefited from investors search for yield, as the Government of Canada 10-year bond offered a yield (interest rate) below 1.0%. The low bond yields and easy credit environment in the marketplace provided a valuation lift to most asset classes, including residential and industrial real estate. However, retail and office real estate values suffered in the year, as tenant demand dropped off due to stay-at-home orders and the work from home movement.

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 5.6% versus 4.05% objective;
- Below the Total Fund benchmark by .70%;
- Exceeded the market returns in the Balanced Fund, bonds and mortgages.

The four-year volatility for the Master Trust Fund continues to be materially lower than for traditional balanced funds.

Investment Performance	2020	Last 4 Years	Last 10 Years
Master Trust Gross Return	8.0%	7.3%	8.3%
Benchmark Return	8.7%	8.0%	8.0%

Pension Plan Expenses

Plan expenses for 2020 were 0.3027% 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.

Given the extreme volatility in capital markets in 2020 and the effect of monetary policy and fiscal stimulus to combat the economic effects of Covid-19 there was risk and costs that were difficult to predict. In the face of this uncertainty and the Actuary's view that granting the July 1, 2020 increase may compromise the Plan's financial state, the AABC decided to defer the decision on indexing until the fall of 2020.

The AABC re-assessed granting adjustments in the fall of 2020 and approved a cost of living adjustment of **1.95%** for eligible retired members commencing July 1, 2020.

Actuarial Valuation

The plan last filed an actuarial valuation report with the regulators at **December 31, 2019**.

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.

	2019	2018
Actuarial Value of Assets	\$286,884,000	\$265,938,000
Actuarial Value of Liabilities	\$263,362,000	\$252,960,000
Surplus/(Deficit)	\$23,522,000	\$12,978,000
Funded Ratio	1.09	1.05

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.

	2019	2018
Actuarial Value of Assets	\$279,414,000	\$257,544,000
Actuarial Value of Liabilities	\$279,414,000	\$257,544,000
Surplus/(Deficit)	0	0
Solvency Ratio	1.00	1.00

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, 2019, there is no requirement to hold back funds upon termination from the Plan.

Plan Amendment

As per amendment 2020-1, and negotiated during the collective bargaining process, pension contributions for Academic members in the defined contribution (DC) component of the Plan increased from 7.5% to 8.0% of pensionable earnings effective January 1, 2021. Contributions matched by the Employer.

In addition to the negotiated change, the Board approved the following amendments to the Plan:

- Move the terms of reference of the AABC to a separate document in accordance with good governance practices.
- Modify eligibility for out-of-scope employees to mean a permanent, probationary or term appointment for a six-month duration or longer working half time or more.
- Update administrative guidelines to clearly set out the deadlines and defaults for members entitled to a pension.

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, 2020**, the AABC consisted of the following members.

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

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 10 occasions (including JPIC) throughout 2020. The key DB pension plan activities have been outlined in the following table.

➤ Quarterly Pension Investment Performance Review and Investment Manager Evaluation	➤ Reviewed and Recommended the Board File a Funding Valuation at December 31, 2019
➤ Approved the 2019 Pension Plan Expenses and Expense Rate	➤ Approved Cost of Living Adjustments (COLA) for Eligible Pensioners
➤ Participated in an Asset Liability Study/Risk Management Project	➤ Approved the 2020 Budget and Workplan
➤ Recommended the Board approve Amendment 2020-1	➤ Recommended the Board approve a new code of conduct policy, meeting procedures policy, agenda & minute taking standards, committee member education standards, plan member minimum communication standards and expense standards

Other Agents of the Plan

Actuaries and Pension Consultants	Robert Vandersanden and Jacob Schwartz, Aon Hewitt (Vancouver, Saskatoon)
Performance Measurement Consultants	John Myrah, Erin Achtemichuk (on leave) and Jeffrey King, 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, 2020
- review 2020 Master Trust investments and performance
- report on the 2020 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, 2020. Full details contained in the legal plan documents as well as applicable legislation will govern in all cases.