



Pension Plan for the Academic & Administrative
Employees of the University of Regina
Defined Benefit (DB) Component
2022 Annual Report to Members

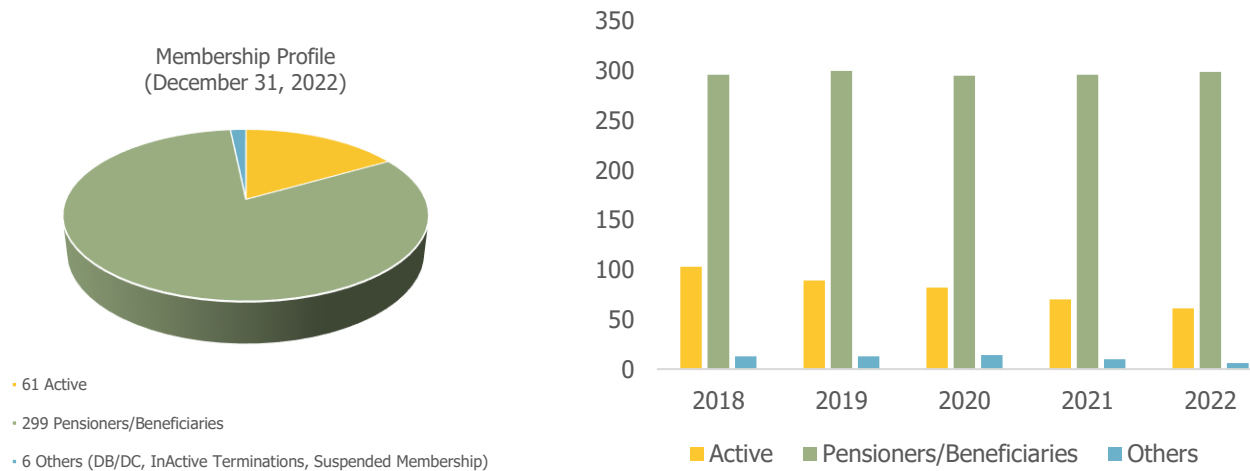
Plan Overview

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, 2022, along with the membership movement over the past five years, has been illustrated below. Pensioners and beneficiaries make up 82% of the DB membership at December 31, 2022.



Pension Contributions

2022	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 to \$3,420.00 in 2022. Therefore, pension contributions and earnings were limited to \$171,000.00 in 2022 for active members of the Plan.

Retirement

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

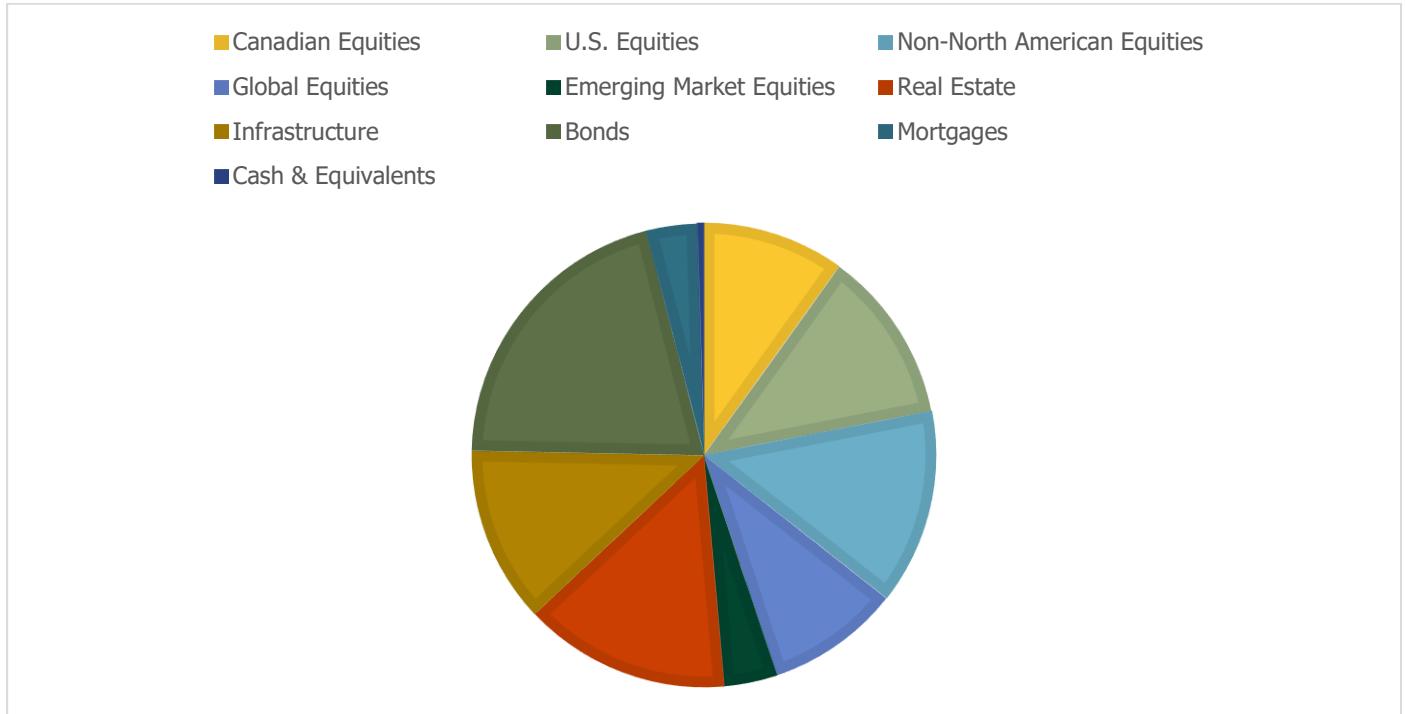
- Age 55, provided you have completed three years of service (an early retirement reduction may apply) or
- The sum of your age and years of service equal to at least 80.

Pension Plan Assets at December 31, 2022

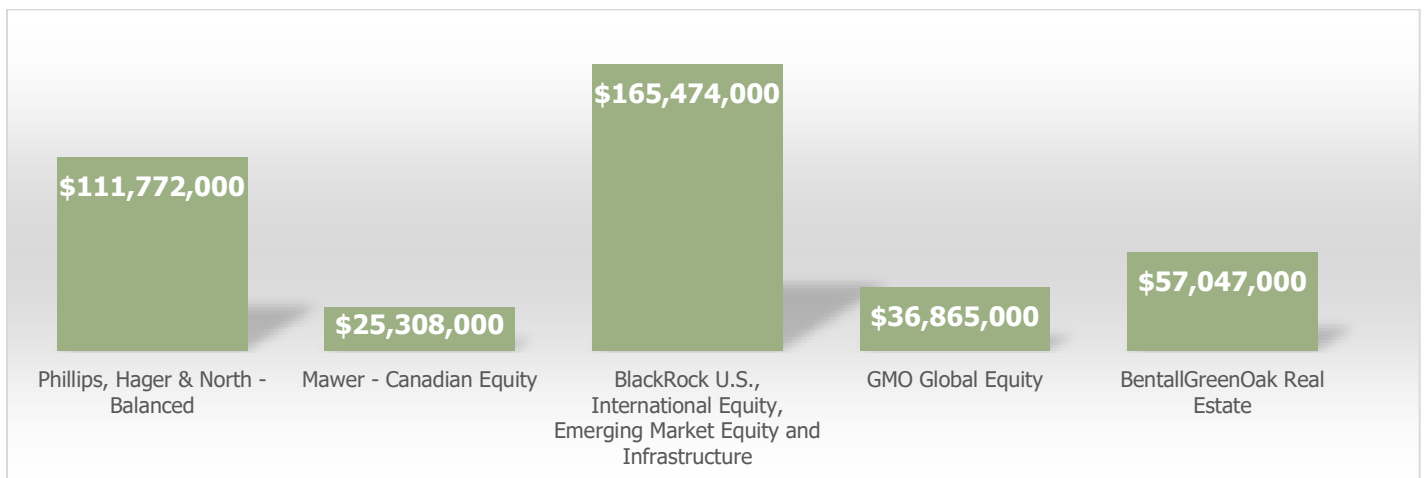
Market Value

The market value of the DB component of the **Academic and Administrative Pension Plan** assets at the end of 2022 totalled **\$277.9 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 **\$396.5 million** at December 31, 2022.

Asset Mix of the Master Trust at December 31, 2022



Distribution of the Master Trust Assets by Investment Manager at December 31, 2022



The Markets

Market turbulence was a strong consistent during the economic landscape in 2022. Geopolitical conflict and 40-year high inflation created rising interest rates and heightened recessionary risks for many economies as financial conditions became increasingly constrained. This turbulence created a significant repricing in fixed income and public equity markets with most markets down greater than 10% for the year. Real estate valuations also cooled in the latter half of 2022.

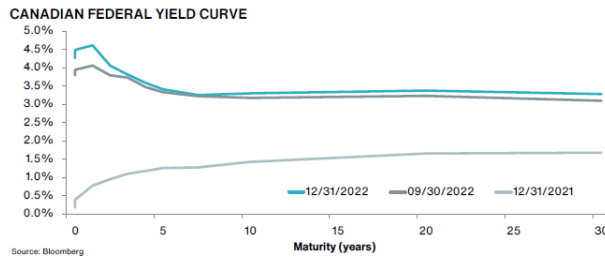
Equities

Global equities generated negative returns over the last 12 months. Equities suffered a sharp sell-off at the beginning of 2022 as geopolitical risk took centre stage with Russia invading Ukraine. Inflation fears were unsettled throughout 2022, leading to significant rate increases across the globe.

US equities were the worst performer over the year, falling 19.5% in local currency terms. Equities sold off sharply in 2022 as elevated inflation and higher interest rate forecasts weighed on the region, leading to the underperformance of sectors such as Information Technology and Consumer Discretionary. In the fourth quarter, easing inflation and investor optimism over the Fed applying the brakes on interest rate hikes helped the market, although volatility remained elevated.

Fixed Income

2022 has been a poor year for bonds, which is unsurprising given the large move in policy interest rates. The substantial move up in yields last year is attributable to the magnitude of rate rises being far bigger than expected at the start of the year. With sensitivity to rising yields greater for longer-termed bonds than shorter-termed bonds, long-term bond returns declined the most exemplified by Government of Canada bonds. Short-term federal bonds declined 3.9% in the year, while long-term federal bonds declined by 24.0%. Overall, the FTSE Canada Universe Bond Index returned -11.3% in 2022.



Canadian Real Estate

The Canadian commercial real estate market posted a 2.3% return (MSCI/REAL PAC Annual Property Index) in 2022. With the Index returning a much stronger 9.1% return in the year. However, aggressive interest rate hikes over the second half of 2022 drove upward pressure on capitalization rates across all property types. Despite this, property fundamentals remain sound with demand to supply imbalances persisting within industrial and multi-family assets, resulting in continued rental rate growth.

Global Infrastructure

The global infrastructure market posted a 0.2% return (DJ Brookfield Global Infrastructure Index) in 2022. Geopolitical conflict in Europe created an energy crisis accelerating all things related to the energy transition leading to strong adoption for the energy transition subsector. The US passed the Inflation Reduction Act that provided similar momentum. Capital raised was up 23% compared to the five-year average as investors looked for a safe haven amongst inflation, interest rates and recession concerns.

Investment Performance

A number of performance objectives are set out for the DB component of the pension plan. The primary objective for the Fund is to earn a rate of return that exceeds, net of fees, the rate of return earned on a benchmark portfolio.

Over four years, the Master Trust Fund had mixed results versus the Academic & Administrative Pension Plan (DB component) investment objectives:

- Real Return of 3.10% versus 3.15% objective;
- Exceeded the Total Fund benchmark by 0.10%;
- All asset classes had positive absolute returns. Mawer Canadian equity, GMO Global equity, Templeton non-North American equity and BentallGreenOak real estate underperformed their benchmarks.

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

Investment Performance	2022	Last 4 Years	Last 10 Years
Master Trust Gross Return	-6.7%	6.6%	7.6%
Benchmark Return	-7.5%	6.5%	7.2%
Master Trust Value Added	0.8%	0.1%	0.4%

Pension Plan Expenses

Plan expenses for 2022 were 0.2765% 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 **3.40%** was provided to eligible retired members commencing July 1, 2022.

Actuarial Valuation

The plan last filed an actuarial valuation report with the regulators at **December 31, 2021**.

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.

	2021	2019
Actuarial Value of Assets	\$316,676,000	\$286,884,000
Actuarial Value of Liabilities	\$283,143,000	\$263,362,000
Surplus/(Deficit)	\$33,533,000	\$23,522,000
Funded Ratio	1.12	1.09

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.

	2021	2019
Actuarial Value of Assets	\$311,137,000	\$279,414,000
Actuarial Value of Liabilities	\$311,137,000	\$279,414,000
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, 2021, there is no requirement to hold back funds upon termination from the Plan.

Plan Amendment

There were no plan amendments in 2022.

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 and Finance & Facilities Committees.

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, 2022**, the AABC consisted of the following members:

Gregory Bawden, Centre for Continuing Education	Gaynor Kybett, URAAPA
Dean Biesenthal, Human Resources	Lamont Stradeski, Financial Services
Peter Douglas, Mathematics and Statistics (Chair)	Dr. Zhou (Joe) Zhang, Business Administration
Nola Joorisity, Business Administration	<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 12 occasions (including JPIC) throughout 2022. The key pension plan activities have been outlined in the following table.

➤ Reviewed the Quarterly Pension Investment Performance and Investment Manager Evaluation Reports	➤ Reviewed the Financial Position of the Plan at December 31, 2021 and Recommended the University of Regina file an Actuarial Valuation
➤ Approved the 2021 Pension Plan Expenses and Expense Rate	➤ Approved Cost of Living Adjustments (COLA) for Eligible Pensioners
➤ Reviewed the Results of the Mortality Study and Recommended an Update to the Mortality Assumption	➤ Approved the 2023 Budget and Workplan
➤ Reviewed Sensitivity Analysis to Assess the Risk Related to Adverse Scenarios	➤ Reviewed and Recommended the 2022 Statement of Investment Policies and Goals (SIP&G)
➤ Recommended the Replacement of the active GMO Global Equity Fund with the passive BlackRock ACWI Index Fund	➤ Recommended the University Initiate a Search for an International Equities Investment Manager(s)

Other Agents of the Plan

Actuaries and Pension Consultants	Jacob Schwartz & David Larsen, Aon
Performance Measurement Consultants	Don Olsen & Garret Gaetz, Aon
Asset Servicing Provider (Custodian)	CIBC Mellon Global Securities Services

The primary purpose of this report is to:

- Provide defined benefit plan members an overview of the Plan at December 31, 2022
- Review 2022 Master Trust investments and performance
- Report on the 2022 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, 2022. Full details contained in the legal plan documents as well as applicable legislation will govern in all cases.