



Pension Plan for the Academic & Administrative
Employees of the University of Regina
Defined Benefit (DB) Component
2023 Annual Report to Members

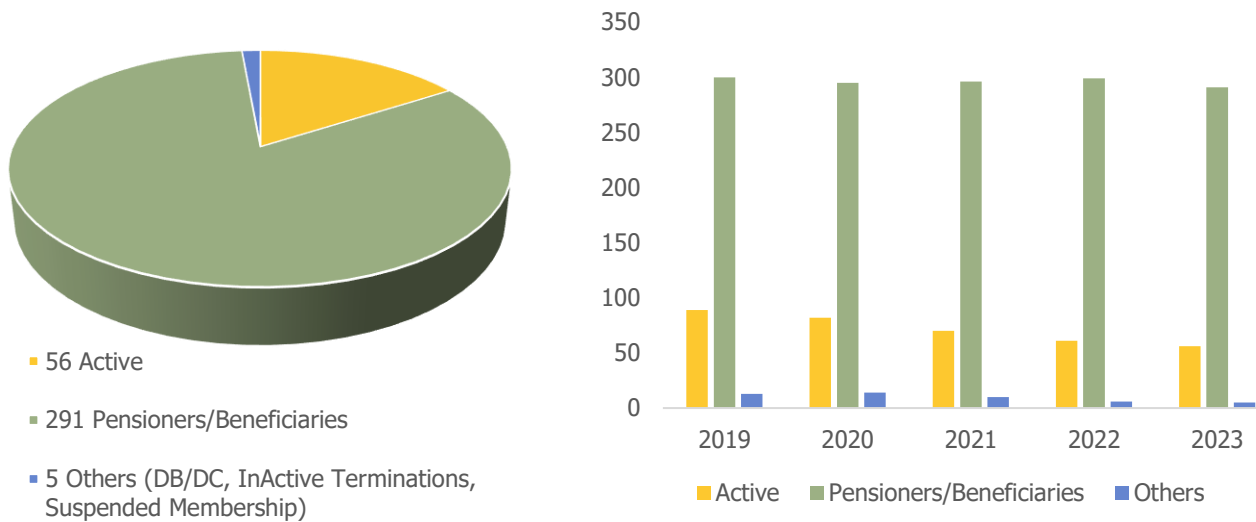
Plan Overview

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, 2023, along with the membership movement over the past five years, has been illustrated below. Pensioners and beneficiaries make up 83% of the DB membership at December 31, 2023.



Pension Contributions

2023	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 \$3,506.67 in 2023. Therefore, pension contributions and earnings were limited to \$175,333.50 in 2023 for active members of the Plan.

Retirement

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

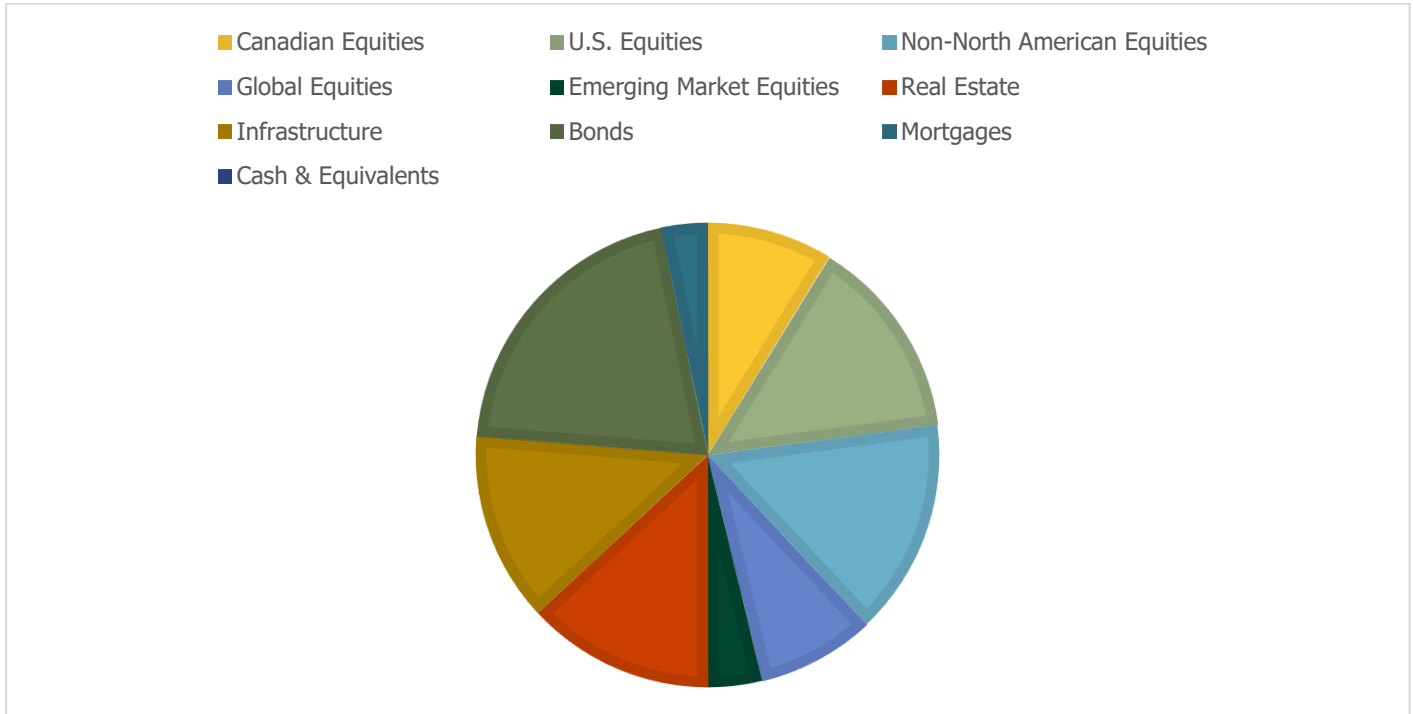
- Age 55, provided you have completed three years of service (an early retirement reduction may apply) or
- The sum of your age and years of service equal to at least 80.

Pension Plan Assets at December 31, 2023

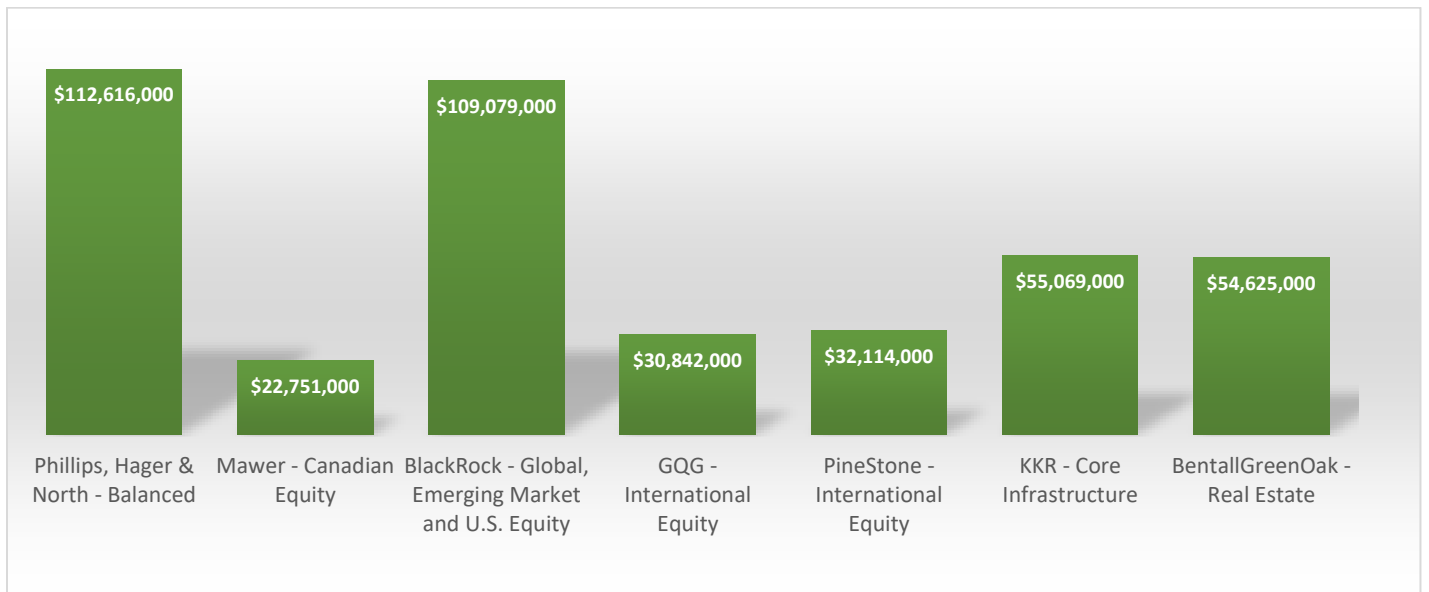
Market Value

The market value of the DB component of the **Academic and Administrative Pension Plan** assets at the end of 2023 totalled **\$291 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 **\$417.1 million** at December 31, 2023.

Asset Mix of the Master Trust at December 31, 2023



Distribution of the Master Trust Assets by Investment Manager at December 31, 2023



The Markets

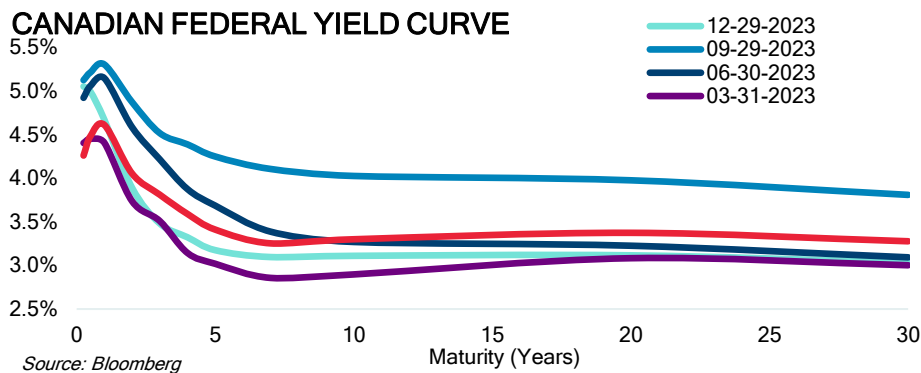
After a difficult 2022, global markets rebounded in 2023. A major reason for the resurgence was monetary policy pauses by the major central banks and increasing expectations of rate cuts in 2024. Another important factor was the strong leadership of a handful of U.S. technology stocks that have been boosted by the Artificial Intelligence theme. Heading into 2024, the likelihood of recession, the trajectory of inflation, and the extent of rates cuts will be the key focus areas for the markets.

Equities

Global equities generated strongly positive returns over the last twelve months with the MSCI All Country World Index up 18.9%. Returns were driven by a small number of stocks branded the “Magnificent 7”. These seven stocks, Apple, Microsoft, Alphabet, Amazon, Nvidia, Meta Platforms and Tesla, accounted for 39% of the total MSCI ACW Index return in 2023, driven by Artificial Intelligence themes. U.S. Equities were the strongest region in the year, returning 26.3% in local currency terms, or 22.9% in Canadian dollar terms. Domestic markets also did well, with the S&P/TSX Composite returning 11.8%. As in the U.S., Information Technology was the strongest sector, returning 69%, with results driven by one single stock, Shopify, which returned 119% in the year, accounting for 20% of the Index return.

Fixed Income

Bond yields ended 2023 near the same level they started, with the yield for the FTSE Canada Universe Bond Index falling from 4.28% at the end of 2022 to 3.94% at the end of 2023. However, it was a volatile year for bonds as yields moved meaningfully throughout the year, as see in the chart below. Yield shifts during the year reflected the market’s view on interest rate expectations and monetary policy. After raising rates three times in the first half of the year, the Bank of Canada held rates steady at 5% citing growing evidence that past rate hikes are having their intended effect on the economy and inflation. Overall, the FTSE Canada Universe Bond Index returned 6.7% in 2023.



Canadian Real Estate

The Canadian commercial real estate market posted a 0.0% return (MSCI/REAL PAC Annual Property Index) in 2023. With the MSCI/REALpac Canada Quarterly Property Fund Index returning a weaker -2.0% return in the year. Rising capitalization rates and headwinds in office properties, along with macro-economic uncertainty drove negative returns in the real estate market.

Global Infrastructure

The Global infrastructure market posted a 1.7% return (DJ Brookfield Global Infrastructure Index) in 2023. High inflation and higher than normal interest rates were themes for the year, leading to difficult market conditions for Infrastructure investors.

Investment Performance

A number of performance objectives are set out for 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.

The investment managers appointed by the Board are directed to achieve a satisfactory long-term real rate of return through a diversified portfolio within their mandate, consistent with acceptable risks and prudent management.

The minimum inflation adjusted annualized real rate of return required to meet pension objectives is 3.15% over longer time periods (10 years or more).

Over ten years, the Master Trust Fund had mixed results versus its investment objectives:

- Achieved a Total Fund real return of 4.1% versus the 3.15% objective;
- Did not exceed the Total Fund benchmark of 6.7% on a net of fees basis (approx. 6.4% net of fee return);

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

Investment Performance	2023	Last 4 Years	Last 10 Years
Master Trust Gross Return	9.8%	5.8%	6.7%
Benchmark Return	10.5%	5.5%	6.7%
Master Trust Value Added	-0.7%	0.3%	0.0%
Inflation	3.4%	3.8%	2.6%
Real Return	6.4%	2.0%	4.1%

Gross Return: the total rate of return before the deduction of any fees, commissions, or expenses.

Benchmark Return: A standard against which the performance of an investment can be measured.

Real Return: the total rate of return after accounting for inflation.

Pension Plan Expenses

Plan expenses for 2023 were 0.2787% 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 on July 1st. The amount of the pension increase is conclusively determined by the Academic and Administrative Benefits Committee (AABC), in consultation with the Actuary, 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). This year the COLA was calculated to be 6.80%.

The AABC, on the recommendation of the Actuary, may provide a lesser increase if the Actuary is of the opinion that the full increase would impair the Plan's financial integrity. If indexing is restricted and in subsequent periods the Plan's experience permits adequate margins to provide additional indexing, the AABC will, on the advice of the Actuary, provide additional indexing up to the full amount applicable on a compound basis if such restrictions had not occurred.

A cost of living adjustment of **4.0%** was provided to eligible retired members commencing July 1, 2023.

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 2023.

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 AABC, both of which report on a regular basis back to the Board through the Human Resources and Investment & Infrastructure 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, 2023**, 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
Dianne Ford, Executive Offices	<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 13 occasions (including JPIC) throughout 2023. The key pension plan activities have been outlined in the following table.

➤ Reviewed the Quarterly Pension Investment Performance and Investment Manager Evaluation Reports for the Master Trust Fund	➤ Recommended Global Quality Growth (GQG) and PineStone replace BlackRock after participating in a non-North American Equity manager search
➤ Approved the 2022 Pension Plan Expenses and Expense Rate	➤ Approved Cost of Living Adjustments (COLA) for Eligible Pensioners
➤ Recommended the Replacement of the custodian from CIBC Mellon to Northern Trust	➤ Approved the 2024 Budget and Workplan
➤ Reviewed the Financial Position of the Plan at December 31, 2022	➤ Reviewed and Recommended the 2023 Statement of Investment Policies and Goals (SIP&G)

Other Agents of the Plan

Actuaries and Pension Consultants	Jacob Schwartz & David Larsen, Aon
Performance Measurement Consultants	Erin Achtemichuk & Don Olsen, Aon
Asset Servicing Provider (Custodian)	The Northern Trust Company, Canada

The primary purpose of this report is to:

- Provide defined benefit plan members an overview of the Plan at December 31, 2023
- Review 2023 Master Trust investments and performance
- Report on the 2023 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, 2023. Full details contained in the legal plan documents as well as applicable legislation will govern in all cases.