



University
of Regina



Pension Plan for the Academic & Administrative
Employees of the University of Regina
Defined Benefit (DB) Component
2021 Annual Report to Members

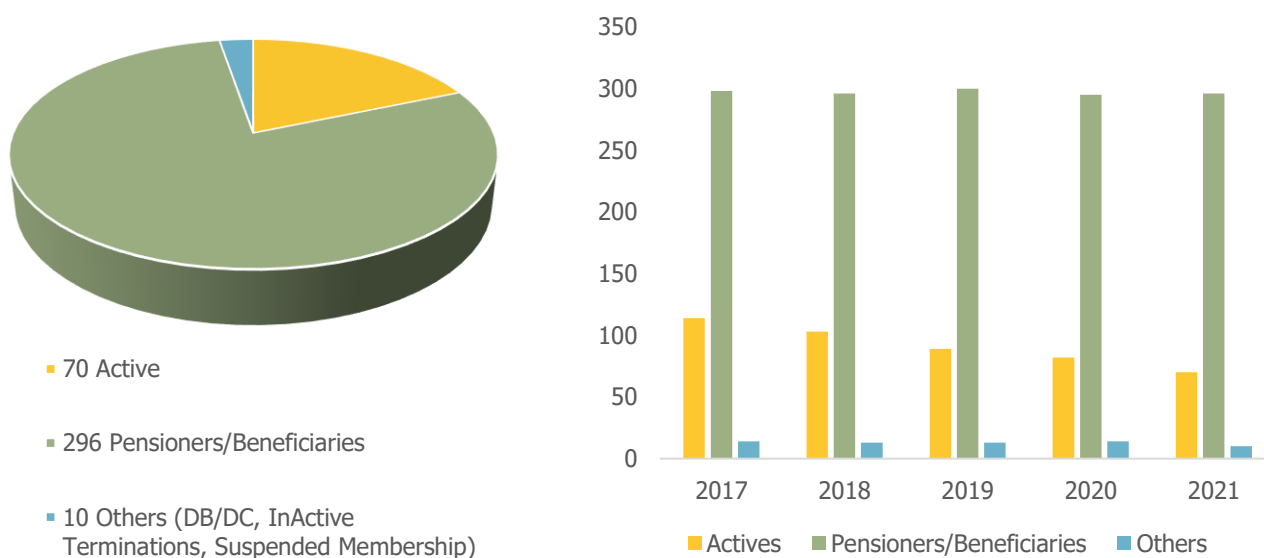
Plan Overview

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, 2021, 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, 2021.



Pension Contributions

2021	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 2021 to \$3,245.56. Pension contributions and earnings (\$162,278) were limited to this maximum in 2021 for active members of the Plan.

Retirement

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

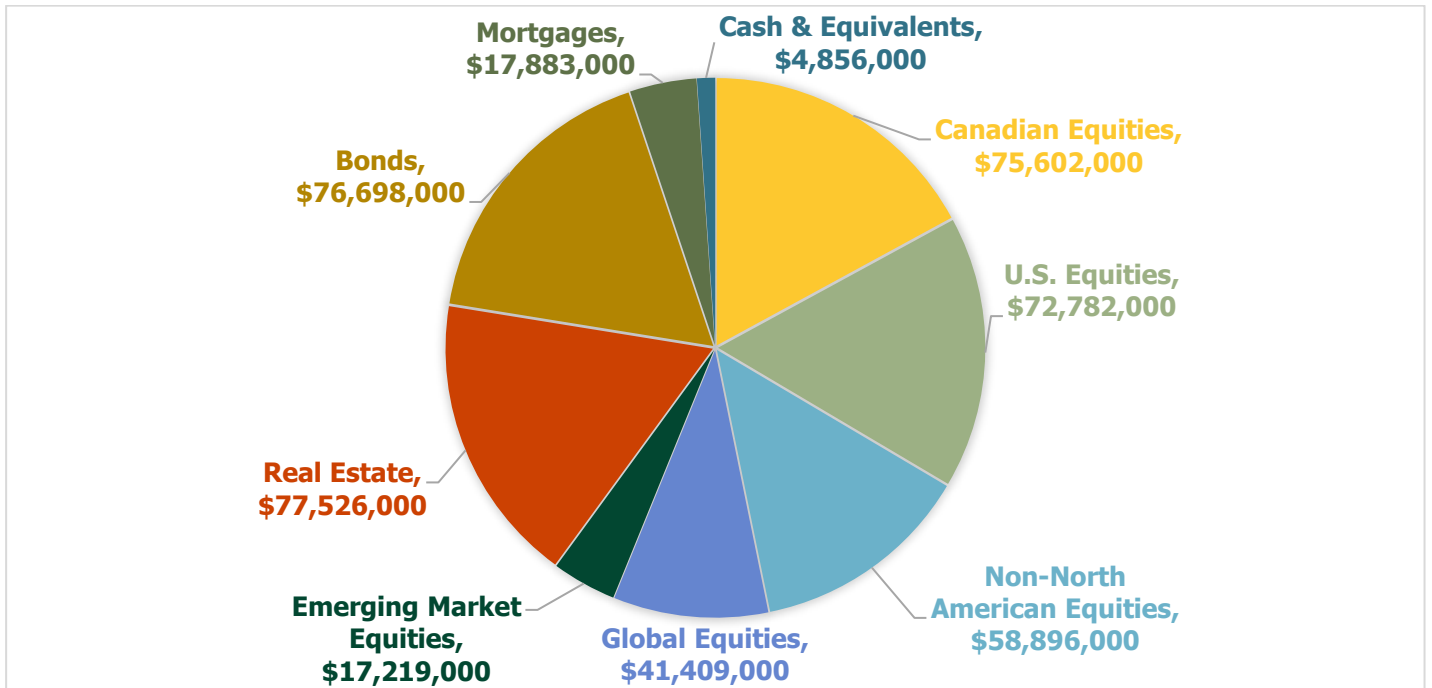
- Age 55, provided you have completed three years of service (an early retirement reduction may apply) or
- The sum of your age and years of service equal to at least 80.

Pension Plan Assets at December 31, 2021

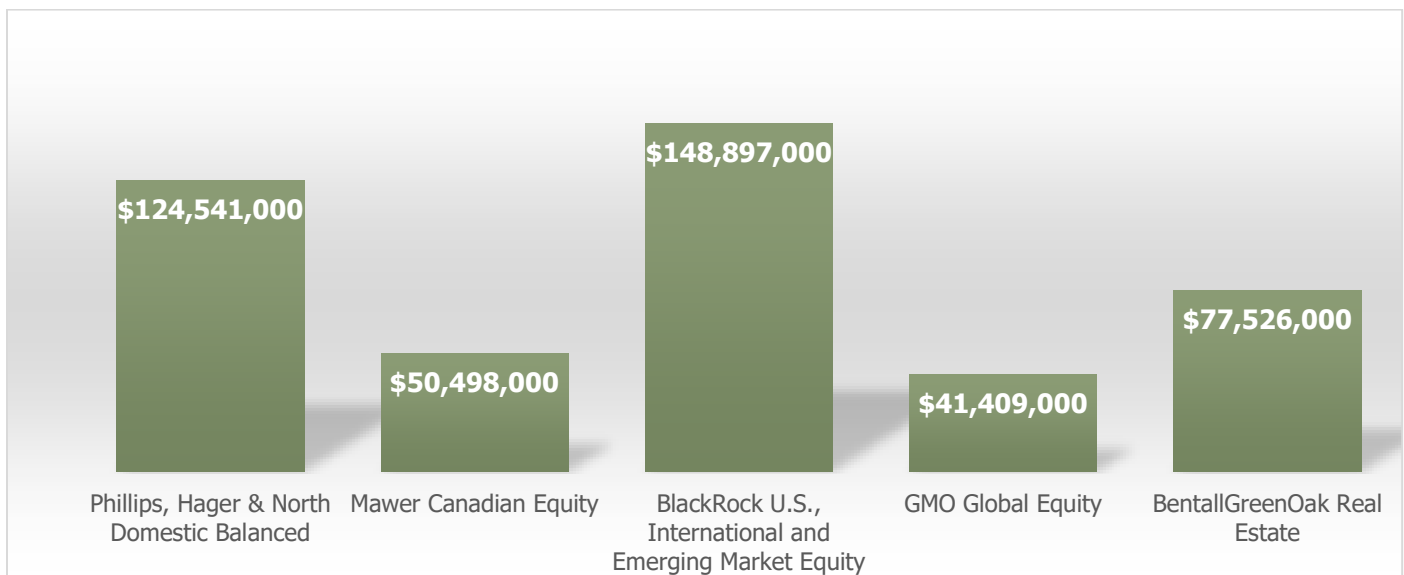
Market Value

The market value of the DB component of the **Academic and Administrative Pension Plan** assets at the end of 2021 totalled **\$312.5 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 **\$443 million** at December 31, 2021.

Asset Mix of the Master Trust at December 31, 2021



Distribution of the Master Trust Assets by Investment Manager at December 31, 2021



The Markets

Markets experienced continued volatility in 2021, with a divergence in results between lower risk bonds and higher risk equities. While major stock markets did remarkably well, bond markets posted negative returns and real estate results were steady.

Equities

Global equities generated strong positive returns over the last twelve months, boosted by optimism over Covid-19 vaccine rollouts, supportive monetary and fiscal policies, and improving economic data. However, the discovery of Covid-19 variants cast doubts over the prospect of global economic growth in 2021. Inflation rates worldwide continued to increase, as supply chain problems and rising wages persisted. Rising inflation led major central banks to indicate the end of pandemic-era bond purchase programs and hinting at accelerated interest rate hikes to help ease the persistent inflation. Equity markets were able to shrug most of these concerns, posting solid gains in 2021. The MSCI All Country World Index, a proxy for global equities including developed and emerging markets, earned a strong 17.5% in the year.

Fixed Income

Bond investors began 2021 with low yields and the growing consensus that, due to the combination of growing corporate earnings, GDP growth and rising inflation, bond yields were likely to rise. While not even throughout the year, bond yields did rise through 2021 across most bond maturities (terms). The only exception was at the very short end of the yield curve, where the Bank of Canada held its overnight rate steady through 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, where short-term federal bonds declined 1.1% in the year, while long-term federal bonds declined by 7.1%. Overall the FTSE Canada Universe Bond Index returned -2.5% in 2021.

Canadian Real Estate

The Canadian commercial real estate market surprised many, posting a 7.9% return (MSCI/REAL PAC Annual Property Index) in 2021. With the MSCI/REALpac Canada Quarterly Property Fund Index returning an even stronger 15.4% return in the year. The Industrials segment was the big winner in the Pandemic economy, rising 31.8% in the year. Rapid growth in e-commerce led to a huge increase in demand for warehouse space. While the Retail segment lagged all other market segments, a 17.4% increase in rental income demonstrated retailers are getting back on their feet and able to pay their full rents each month. Low borrowing rates and institutional investors search for yield continue to drive strong pricing in the real estate market.

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 versus its investment objectives:

- Real Return of 5.5% versus 3.65% objective;
- Below the Total Fund benchmark by 0.40%;
- Exceeded the market returns in the Balanced Fund, Canadian Equity, Bonds and Mortgages.

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

Investment Performance	2021	Last 4 Years	Last 10 Years
Master Trust Gross Return	13.0%	7.9%	9.4%
Benchmark Return	11.6%	8.3%	9.0%

Pension Plan Expenses

Plan expenses for 2021 were 0.2761% 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 0.72% was provided to eligible retired members commencing July 1, 2021.

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

There were no plan amendments in 2021.

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, 2021**, the AABC consisted of the following members:

Gregory Bawden, Centre for Continuing Education	Lamont Stradeski, Financial Services
Peter Douglas, Mathematics and Statistics (Chair)	Dr. R. J (Jim) Tomkins, President Emeritus
Nola Joorisity, Business Administration	Dr. Zhou (Joe) Zhang, Business Administration
Gaynor Kybett, URAAPA	<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 2021. The key pension plan activities have been outlined in the following table.

➤ Quarterly Pension Investment Performance Review and Investment Manager Evaluation	➤ Reviewed the Financial Position of the Plan at December 31, 2020
➤ Approved the 2020 Pension Plan Expenses and Expense Rate	➤ Approved Cost of Living Adjustments (COLA) for Eligible Pensioners
➤ Recommended the Board approve changes to the Master Trust Asset Mix as a result of the Asset Liability Study	➤ Approved the 2021 Budget and Workplan
➤ Participated in shortlist interviews and recommended the Board approve a new infrastructure manager	➤ Recommended the Board approve a new funding policy and updated terms of reference for the AABC
➤ Reviewed and Recommended the 2021 Statement of Investment Policies and Goals (SIP&G)	

Other Agents of the Plan

Actuaries and Pension Consultants	Jacob Schwartz & David Larsen, Aon (Saskatoon)
Performance Measurement Consultants	John Myrah & Erin Achtemichuk, Aon (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, 2021
- review 2021 Master Trust investments and performance
- report on the 2021 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, 2021. Full details contained in the legal plan documents as well as applicable legislation will govern in all cases.