University of Regina Non-Academic Pension Plan

Financial Statements

For the Year Ended December 31, 2017

PROVINCIAL AUDITOR
of Saskatchewan

INDEPENDENT AUDITOR'S REPORT

To: The Members of the Legislative Assembly of Saskatchewan

I have audited the accompanying financial statements of the University of Regina Non-Academic Pension Plan, which comprise the statement of financial position as at December 31, 2017, and the statements of changes in net assets available for benefits and changes in pension obligations for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for pension plans, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the University of Regina Non-Academic Pension Plan as at December 31, 2017, and the changes in net assets available for benefits and changes in pension obligations for the year then ended in accordance with Canadian accounting standards for pension plans.

Judy Ferguson

Regina, Saskatchewan
May 4, 2018

Judy Ferguson, FCPA, FCA
Provincial Auditor

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University of Regina Non-Academic Pension Plan
Statement of Financial Position
As At December 31

	2017	2016
Assets		
Investments:		
Master Trust fund (Notes 5 & 10)	$ 103,831,110	$ 96,157,451
Receivables:		
Employee contributions	171,847	171,717
Employer contributions	190,106	190,434
	361,953	362,151
Total assets	104,193,063	96,519,602
Liabilities		
Accounts payable	673,440	652,322
Total liabilities	673,440	652,322
Net Assets Available for Benefits (Statement 2)	103,519,623	95,867,280
Pension Obligations (Statement 3)	104,316,000	101,175,000
Deficit	$ (796,377)	$ (5,307,720)

Approved by the Board of Governors

Cathy Warner
Chair, Board of Governors

Chair, Audit & Risk Management Committee

The accompanying notes are an integral part of these financial statements

Statement 2

University of Regina Non-Academic Pension Plan
Statement of Changes in Net Assets Available for Benefits
For the Year Ended December 31

		2017		2016
Increase in Assets				
Current period change in fair values of investments:				
Net realized gain on sale	$	1,841,483	$	1,495,662
Unrealized gain on investments		8,102,122		4,198,926
		9,943,605		5,694,588
Contributions (Note 6):				
Employee contributions		2,181,741		2,115,433
Employer contributions		2,406,715		2,334,386
		4,588,456		4,449,819
Total increase in assets		14,532,061		10,144,407
Decrease in assets				
Plan expenses (Note 7)		616,460		630,060
Pension benefits payments (Note 8)		4,771,734		4,437,599
Refunds and transfers (Note 8)		1,491,524		1,260,894
Total decrease in assets		6,879,718		6,328,553
Net Increase in Assets		7,652,343		3,815,854
Net Assets Available for Benefits, Beginning of Year		95,867,280		92,051,426
Net Assets Available for Benefits, End of Year (to Statement 1)	$	103,519,623	$	95,867,280

The accompanying notes are an integral part of these financial statements

Statement 3

University of Regina Non-Academic Pension Plan
Statement of Changes in Pension Obligations
For the Year Ended December 31

	2017 (Note 9)	2016 (Note 9)
Pension Obligations, Beginning of Year	$ 101,175,000	$ 95,171,000
Increase in Pension Obligations:		
Interest accrued on benefits	5,868,000	5,568,000
Benefits accrued	3,719,000	4,194,000
Experience loss	-	2,155,000
	9,587,000	11,917,000
Decrease in Pension Obligations:		
Benefits paid	6,446,000	5,866,000
Change in actuarial assumptions	-	47,000
	6,446,000	5,913,000
Pension Obligations, End of Year (to Statement 1)	$ 104,316,000	$ 101,175,000

The accompanying notes are an integral part of these financial statements

1. Summary of Significant Accounting Policies

The University of Regina Non-Academic Pension Plan (the Plan) statements are prepared in accordance with the Canadian accounting standards for pension plans, which includes reference to the guidance found in International Financial Reporting Standards with respect to the fair value measurement for investment assets and investment liabilities. For accounting policies that do not relate to its investment portfolio or pension obligations, the financial statements comply with Canadian accounting standards for private enterprises, to the extent that these standards do not conflict with the standards for pension plans.

The following accounting policies are considered significant.

a) The financial statements use the accrual basis of accounting, and are prepared on the going concern basis. The Plan's financial statements are presented in Canadian dollars.

b) Investments

Investments of the Plan are classified as held-for-trading and are comprised of units in a pooled fund called the University of Regina Master Trust (Master Trust). Additional units are acquired when assets are transferred to the Master Trust and when distributions are made by the Master Trust. The Plan can realize changes in the underlying unit values by redeeming units. The Master Trust does not pay investment income to the Plan.

The Plan's units in the Master Trust are recorded at fair market value in the accounts at their net asset value per unit. The net asset value per unit is the market value of the Master Trust's investments, based on mid-market prices, divided by the total number of units outstanding in the Master Trust.

The change in net asset value of the units in the Master Trust during the year is reflected in the Statement of Changes in Net Assets Available for Benefits as unrealized gain (loss) on investments.

Investment transactions are recorded as of the trade date.

c) Other Financial Instruments

Accounts receivable and accounts payable are short-term in nature, and as such, their carrying value approximates their fair value.

d) Use of estimates

In preparing the financial statements, management uses estimates and assumptions that primarily affect the reported values of assets and liabilities. Significant estimates are used primarily in the determination of the fair value of investments and investment related receivables in the Master Trust. Significant estimates are also used in the determination of pension obligations. Actual results could differ from those estimates, which may impact the results reported in future periods.

e) Translation of foreign currencies

Transactions conducted in foreign currencies are translated into Canadian dollars using the exchange rate in effect at the transaction date. Monetary assets and liabilities denominated in foreign currencies are adjusted to reflect exchange rates at year-end.

2. Authority for the Plan

Section 62(j) of *The University of Regina Act* provides that the Board of Governors may establish a system of pension or retiring allowances for any or all classes of University officials and other employees.

3. Plan Administration

In January 1979, the Board of Governors of the University of Regina established the Plan. The University of Regina, acting through the Board of Governors is the administrator of the Plan. The Non-Academic Benefits Committee is a sub-committee of the Board of Governor's Human Resources Committee and has the responsibility to administer the Plan according to the terms and provisions of the Plan agreement. The University has appointed, through agreements, investment managers to authorize investments, and a trustee to maintain custody of the plan assets and invest the plan assets as authorized by the investment managers.

4. Description of the Plan

The following description of the University's Non-Academic Pension Plan is a summary only. For more information, reference should be made to the Plan document.

a) General

The Plan is a contributory defined benefit final average pension plan open to all non-academic employees of the University of Regina who are employed on a permanent full-time, seasonal full-time, term or permanent part-time basis. Participation in the plan is compulsory after completing an applicable probationary period.

Plan membership is extended to those employees who qualify from the federated colleges, Campion and Luther, and continues to be extended to the employees of the MacKenzie Art Gallery.

b) Retirement Benefits

The normal retirement date is the first day of the month following the attainment of age 65. The monthly retirement benefit payable to a Member who retires on the normal retirement date on or after January 1, 1999 is equal to the sum of:

i) 2% of the Member's average best three years earnings multiplied by the number of years of credited service (including fractions for completed months) for past and future service to December 31, 2010,

plus

ii) 1.75% of the Member's average best three years earnings with the University multiplied by the number of years of credited service (including fractions for completed months) after December 31, 2010,

plus

iii) 1.5% multiplied by the Member's average best five years earnings with the University multiplied by the number of years of credited service (including fractions for completed months) after December 31, 2013.

The annual retirement benefit is based on maximum earnings of $145,722 as outlined in the *Income Tax Act* (Canada).

A Member who retires on the late retirement date on or after January 1, 1999 shall receive a pension which is the actuarial equivalent of the pension the Member would have received had the Member retired on the normal retirement date and as if the normal retirement date is after December 31, 1998 as outlined above. Members must retire by the end of the calendar year in which they attain the age of 69.

The normal form of pension is a single life pension payable monthly in arrears with a ten year guarantee. Other options are available on an actuarially equivalent basis.

Unless the Member's spouse has signed a waiver under applicable legislation reducing survivor benefits for the spouse, an actuarially equivalent amount of pension shall be paid to the Member in a joint and 60% survivor form.

c) Indexing

Retirement benefit payments may be increased on an ad-hoc basis as recommended by the Non-Academic Benefits Committee, which is a sub-committee of the Board of Governor's Human Resources Committee, and approved by the Board as warranted by increases in the Consumer Price Index for Canada.

d) Termination Benefits

A Member becomes locked-in after completing two years of continuous service.

Upon termination of employment prior to becoming locked-in, a member may elect one of the following options:

i) to receive a lump sum cash refund of the Member's required contributions with interest; or

ii) to transfer to another registered pension plan, a prescribed Registered Retirement Savings Plan (RRSP), an insurance business to purchase an immediate or deferred pension, or any other prescribed registered retirement plan an amount equal to the greater of two times the member's required contributions with interest and the commuted value of the monthly retirement benefit.

Upon termination of employment after becoming locked-in, a Member shall receive a transfer to another registered pension plan, a prescribed RRSP, an insurance business to purchase an immediate or deferred pension, or any other prescribed registered retirement plan in an amount equal to the sum of:

i) in respect to credited service accrued prior to January 1, 2011, the greater of:

   a) two times the Member's required contributions, with interest; and

   b) the maximum commuted value of the monthly retirement benefit;

ii) in respect of credited service accrued after December 31, 2010, the maximum commuted value of the monthly retirement benefit;

iii) the amount, if any, by which Member required contributions attributed to credited service accrued after December 31, 2010, with applicable interest, exceeds 50% of the commuted value.

e) Death Benefits

1) Prior to Retirement

Upon death of a member, other than a retired member, the Member's spouse or beneficiary shall receive a lump-sum cash refund, a transfer to another registered pension plan, a prescribed RRSP, an insurance business to purchase an immediate or deferred pension, or any other prescribed registered retirement plan in an amount equal to the sum of the following:

i) in respect of credited service accrued prior to January 1, 2011, the greater of:

   a) two times the Member's required contributions plus interest, and

   b) the maximum commuted value of the monthly retirement benefit;

ii) in respect to credited service after December 31, 2010, the maximum commuted value of the monthly retirement benefit;

iii) the amount, if any, by which the Member required contributions attributed to credited service accrued after December 31, 2010, with applicable interest, exceeds 50% of the commuted value; and

iv) the Member's transfer value, accumulated with interest to the time of payout.

2) After Retirement

Upon the death of a retired member, benefit payments, if any, shall be continued in accordance with the benefit payment option elected by the Member at the time of retirement.

f) Members' Contributions

Members are required to contribute 8.75% of earnings.

g) Funding Policy

The University shall contribute monthly to the fund 8.75% of earnings.

In addition, an actuarial funding valuation performed as at December 31, 2015 was filed with regulatory authorities and included a recommendation that the University make additional contributions of 0.88% of earnings, effective January 1, 2016.

h) Interest Rate Credited

Effective January 1, 2016, the Plan was amended to change the interest rate credited to Member's Required Contributions, for periods after December 31, 2016, to the minimum rate prescribed under the Applicable Legislation.

i) Disability Benefits

Periods during which a Member is in receipt of disability benefits provided from the Short Term Disability Plan or the Long-Term Salary Continuance Plan count as pensionable service. Member contributions are deemed to be made on the Member's earnings immediately prior to becoming disabled adjusted each year thereafter by the average increase in the members who occupy a similar job or position to that member.

j) Transfer Deficiency

Section 28 of *The Pension Benefits Regulations, 1993* requires a plan administrator to determine and apply a transfer deficiency where a plan has a solvency ratio of less than 1:1. Effective October 2016, and as determined by an actuarial funding valuation performed as at December 31, 2015, there is a solvency holdback of 37% for all employees transferring monies out of the pension plan.

5. Financial Instruments

The Plan's significant financial instruments consist of accounts receivable, accounts payable, and investments.

Contributions Receivable and Accounts Payable

The contributions receivable and accounts payable are non-interest bearing financial instruments and are due or payable within the next year. Due to the short-term maturity, the fair value of these financial instruments approximates carrying value.

Investments

Effective December 1, 1995, the assets of the University of Regina's Academic and Administrative Employees and the Non-Academic Pension Plans were combined into a pooled fund called the Master Trust to improve investing opportunities. Each plan holds units in the Master Trust rather than holding individual investments. These investments are classified as held-for-trading. For more information, reference should be made to the Master Trust Agreement.

The total assets of the Master Trust on December 31, 2017 is $382,120,122 (2016 - $359,667,177). The Unitholders' Equity at December 31 is:

	2017	2016
Academic & Administrative Employees	$ 278,289,012	$ 263,509,726
Non-Academic Employees	103,831,110	96,157,451
	$ 382,120,122	$ 359,667,177

The number of units held by participating pension plans at the end of the year were as follows:

	2017	2016
Academic & Administrative Employees	5,059,117.378	5,292,032.522
Non-Academic Employees	1,887,655.435	1,931,117.913
Balance, end of year	6,946,772.813	7,223,150.435

The Plan has classified its required fair valued financial instrument holdings using a hierarchy that reflects the significance of the inputs used in determining their measurements.

Under the classification structure, financial instruments recorded at unadjusted quoted prices in active markets for identical assets and liabilities are classified as Level 1. Instruments valued using inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly are classified as Level 2. Instruments valued using inputs that are not based on observable market data are classified as Level 3.

There were no items transferred between levels in 2017 or 2016.

The following tables classify the Master Trust's required financial instruments within a fair value hierarchy:

2017	Level 1	Level 2	Level 3	Total
Short-term investments	$ 5,944,197	$ -	$ -	$ 5,944,197
Bonds and Debentures	-	82,868,925	-	82,868,925
Equities	217,009,568	-	-	217,009,568
Mortgages	-	17,079,645	-	17,079,645
Real estate	-	58,371,835	-	58,371,835
Total	$ 222,953,765	$ 158,320,405	$ -	$ 381,274,170

2016	Level 1	Level 2	Level 3	Total
Short-term investments	$ 5,853,259	$ -	$ -	$ 5,853,259
Bonds and Debentures	-	77,725,866	-	77,725,866
Equities	211,196,785	-	-	211,196,785
Mortgages	-	15,127,142	-	15,127,142
Real estate	-	49,088,594	-	49,088,594
Total	$ 217,050,044	$ 141,941,602	$ -	$ 358,991,646

The Master Trust holds $58,371,835 (2016 - $49,088,594) in real estate. This represents 15.31% (2016 – 13.65%) of total investments. The investments in real estate consist of Canadian commercial property.

The investment policies of the participating pension plans state the investments in mortgages can be mortgages secured against Canadian real estate, mortgage-backed securities, or asset-backed securities.

The investment objectives of the Plan are to ensure there are sufficient assets to meet future pension obligations and to generate sufficient cash flow to meet pension payments. Due to the long-term horizon of the Plan's liabilities, the Master Trust takes a long-term investment perspective.

As a result, the following risks of the Master Trust are also risks of the Plan.

Based on the investment objectives set by the participating pension plans, the Master Trust invests cash flows from the pension plans. The nature of the Master Trust's operations results in a statement of net assets that consists primarily of financial instruments. The risks that arise are market risk, (consisting of interest rate risk, foreign exchange risk and equity price risk), credit risk and liquidity risk.

Significant financial risks are related to the investments. These financial risks are managed by having an investment policy, which is approved by the Board of Governors. The investment policy provides guidelines to the Master Trust's investment managers for the asset mix of the portfolio regarding the quality and quantity of fixed income investments, real estate and equity investments. The asset mix helps to reduce the impact of market value fluctuations by requiring investments in different asset classes and in domestic and foreign markets. Derivatives (such as options, futures, and forward contracts) are allowed within the Master Trust to protect against losses from changes in exchange rates and market indices; and for non-hedging purposes, as a substitute for direct investment. The investment policy prevents the use of derivatives for speculative trading or to create a portfolio with leverage.

Market Risk
Market risk represents the potential for loss from changes in the value of financial instruments. Value can be affected by changes in interest rates, foreign exchange rates and equity prices. Market risk primarily impacts the value of investments.

Interest Rate Risk
Interest rate risk refers to the adverse consequences of interest rate changes on the Master Trust's cash flows, financial position and income. This risk arises from short-term changes in nominal interest rates that cause differences in the timing and amount of cash flows related to the investments. Interest rate risk is managed by investing in fixed income investments (short-term investments, bonds and debentures, mortgages) of various durations. It is estimated that a 100 basis point increase/decrease in interest rates would decrease/increase the value of the fixed income investments by $7,800,000 (2016 - $7,500,000) representing 7.35% (2016 – 7.56%) of the $106,034,715 (2016 - $98,767,687) fair value of these investments in the Master Trust.

Foreign Currency Risk
The Master Trust is subject to changes in the US/Canadian dollar exchange rate for US denominated investments. Also, the Master Trust is exposed to EAFE (Europe, Australasia and Far East) currencies and global currencies (including US, Non-North American and Canadian) through its investment in the pooled Non-North American (NNA) equity fund and pooled global equity fund. Exposure to US equities, Non-North American equities, global equities, and emerging equities is limited to a maximum 16%, 17%, 10%, and 6% respectively each of the total of the fair value of the total investment portfolio. The Master Trust's exposure to US equities was 6.8% (2016 - 7.3%) and its exposure to Non-North American equities (including global equities) was 27.1% (2016 - 26.5%).

A 10% appreciation in the Canadian dollar versus US dollar exchange rate would result in approximately a $2,600,000 (2016 - $2,600,000) decrease in investments in the Master Trust. A 10% weakening in the Canadian dollar versus EAFE currencies would result in approximately a $10,400,000 (2016 - $9,500,000) increase in investments in the Master Trust.

No more than 50% of the fair value of the bond and debentures portfolio shall be invested in bonds of foreign issuers.

Equity Prices:

	Market Value	
	2017	2016
Common Shares and Pooled Funds - Canadian	$ 60,415,436	$ 66,456,655
Pooled Funds - Global	48,517,527	47,356,661
Pooled Funds - NNA	55,044,260	47,997,975
Pooled Funds - US	53,032,345	49,385,494
	$ 217,009,568	$ 211,196,785

The Master Trust is exposed to changes in equity prices in Canadian, US, and EAFE markets. Equities, including equity pooled funds, comprise 56.92% (2016 – 58.72%) of the fair value of the Master Trust's total investments. Individual stock holdings are diversified by geography, industry type and corporate entity. No one investee or related group of investees represents greater than 10% of the fair value of the Master Trust's total investment portfolio. As well, no one holding represents more than 10% of the voting shares of any corporation. Investments in pooled funds do not exceed 10% of the fair value of that fund.

The following table indicates the approximate change that would be expected to the total investment portfolio based on changes in the Master Trust's benchmark indices:

	2017		2016	
	10% increase	10% decrease	10% increase	10% decrease
Canadian Equities	$ 6,000,000	$ (6,000,000)	$ 6,100,000	$ (6,100,000)
US Equities	$ 5,300,000	$ (5,300,000)	$ 4,900,000	$ (4,900,000)
NNA Equities	$ 5,500,000	$ (5,500,000)	$ 4,800,000	$ (4,800,000)
Global Equities	$ 3,200,000	$ (3,200,000)	$ 3,200,000	$ (3,200,000)
Emerging Market Equities	$ 1,700,000	$ (1,700,000)	$ 1,500,000	$ (1,500,000)

Credit Risk

Credit risk is the risk that a party owing money to the Plan will fail to discharge that responsibility. The Plan is exposed to credit risk from the potential non-payment of accounts receivable. The Plan's maximum exposure to credit risk at the reporting date is limited to the carrying value of its accounts receivable of $361,953 (2016 - $362,151).

The Plan holds units in the Master Trust. The Master Trust manages its own credit risk. The Master Trust's maximum exposure to credit risk at the reporting date is limited to the carrying value of its financial assets, summarized as follows:

	2017	2016
Cash	$ 129,814	$ 58,883
Investment income receivable	716,149	616,682
Short-term investments	5,944,197	5,853,259
Bonds and debentures	82,868,925	77,725,866
Mortgages	17,079,645	15,127,142
	$ 106,738,730	$ 99,381,832

The Master Trust limits the credit risk by dealing with counterparties that are considered to be high quality. The credit ratings used to describe the investments below are based on the Dominion Bond Rating Service and/or the Standard and Poor's Bond Rating Service.

Short-Term Investments

These investments in the Master Trust are comprised of a pooled fund that holds investments mainly in corporate bonds and debentures with effective interest rates of 1.229% to 1.726% (2016 – 0.760% to 1.250%) and maturing within 3 to 220 days (2016 - 3 to 180 days). The investment policies of the participating pension plans state that investments must meet a minimum investment standard of "R-1", as rated by a recognized credit rating service.

Bonds and Debentures

The Master Trust holds the following investments in bonds and debentures:

	Pooled Funds	Yield to Maturity At Fair Value
2017	$ 82,868,925	2.53% - 2.63%
2016	$ 77,725,866	2.99% - 3.34%

Actual maturity may differ from contractual maturity because certain borrowers have the right to call or prepay certain obligations with or without call or prepayment penalties.

The investment policies of the participating pension plans in the Master Trust state that the minimum quality standard for individual bonds and debentures is 'C' as rated by a recognized bond rating agency at the time of purchase, and sets limits to the maximum notational amount of exposure with respect to any one issuer. Bonds rated below 'BBB' may not be purchased if the purchase would raise holdings rated below 'BBB' to more than 40% of the market value of the bond portfolio, with bonds rated below 'BB+' not to exceed 5% of the market value of the bond portfolio at the time of purchase.

Credit ratings for bonds held by the Master Trust are as follows:

	2017		2016	
Credit Rating	Fair Value	Make up of Portfolio (%)	Fair Value	Make up of Portfolio (%)
AAA	$40,421,395	48.77%	$22,389,372	28.81%
AA	21,071,805	25.43%	21,791,036	28.04%
A	11,548,970	13.94%	12,815,986	16.49%
BBB	8,408,461	10.15%	15,247,935	19.62%
BB & Below	1,418,294	1.71%	5,481,537	7.04%
Total	$82,868,925	100.00%	$77,725,866	100.00%

Within bond investments there are no direct holdings other than the Government of Canada or a Canadian province. Securities of the Master Trust may not be loaned except within pooled funds where the pooled fund policy permits securities lending.

Liquidity Risk

Liquidity risk is the risk that the Master Trust is unable to meet its financial obligations as they fall due. Cash resources are managed on a daily basis based on anticipated cash flows.

6. Contributions

Employer

	2017	2016
Current Service	$ 2,378,283	$ 2,331,894
Past Service	28,432	2,492
	$ 2,406,715	$ 2,334,386

Employee

	2017	2016
Required	$ 2,153,325	$ 2,112,941
Past Service	28,416	2,492
	$ 2,181,741	$ 2,115,433

7. Plan Expenses

	2017		2016
	Budget	Actual	Actual
Actuarial and consulting services	$ 332,000	$ 232,710	$ 261,584
Administration	140,150	113,578	112,047
Investment management	234,000	232,133	212,213
Trustee fees	35,000	38,039	44,216
	$ 741,150	$ 616,460	$ 630,060

8. Pension Benefits, Refunds and Transfer Payments

	2017	2016
Retirement benefits	$ 4,771,734	$ 4,437,599
Termination benefits	1,413,228	1,245,937
Death benefits	78,296	14,957
	$ 6,263,258	$ 5,698,493

9. Pension Obligations

Aon Hewitt, a firm of consulting actuaries, performed an actuarial valuation as at December 31, 2015 and extrapolated it to December 31, 2017. The actuary used the projected benefit method pro-rated on services and the best estimate assumptions approved by the Non-Academic Benefits Committee. The University is required to obtain another actuarial valuation as at December 31, 2018. Significant long-term assumptions used in determining the pension obligation are:

	as at December 31	
	2017	2016
Salary/*Income Tax Act* maximum pension increase	2.75%	2.75%
Inflation rate	2.25%	2.25%
Discount rate	5.80%	5.80%

The actual rates may vary significantly from the long-term assumptions used.

Mortality tables used for 2017 and 2016 were the CPM RPP-2014 Private Sector Mortality Table at 100% for males and 95% for females projected generationally with the CPM improvement Scale B.

The Plan Document states that any excess surplus shall be used to reduce the contributions of the University, or used to improve the benefits of the Members and/or Retired Members, or both. Any use of surplus to reduce contributions of the University must be negotiated with the Members as part of the collective agreement. Any use of surplus would be for the benefit of the Members.

The following illustrates the effects of changing certain assumptions:

Assumption:	Adjusted Assumption (Change Made):	Change in Accrued Liability	Percentage Change in Accrued Liability
Discount Rate	6.80% (Plus 1%) 4.80% (Minus 1%)	$(12,831,000) $16,065,000	(12.3%) 15.4%
Salary, and *Income Tax Act* Maximum Pension increase	3.75% (Plus 1%) 1.75% (Minus 1%)	$4,068,000 $(3,547,000)	3.9% (3.4%)
Inflation rate	3.25% (Plus 1%) 1.25% (Minus 1%)	$(9,493,000) $11,475,000	(9.1%) 11.0%

The pension obligations are long-term in nature. The Plan has no intention of settling its pension obligations in the near term and there is no market for settling its pension obligations. Therefore, determination of the fair value of the pension liability is not practical.

10. Capital Disclosures and Investment Performance

The Plan receives its source of capital from employer and employee contributions and market value increases on its invested capital. The Plan defines capital to be its investment in units of the Master Trust.

The University has retained Phillips, Hager & North Ltd. as investment manager of the majority of the investments in the Master Trust. The University also contracts with Franklin Templeton Investments, Bentall Kennedy, BlackRock Asset Management Canada Limited, Mawer Investment Management Ltd., and Grantham, Mayo Van Otterloo & Co. LLC to be investment managers of specific types of investments in the Master Trust.

These investment managers make the day-to-day decisions of whether to buy or sell specific investments in order to achieve the long-term investment performance objectives set by the Plan. It is these long-term investment performance objectives that are used to assess the performance of the investment managers.

The primary long-term investment performance objective for the entire Master Trust portfolio is to out-perform a benchmark portfolio with weightings as follows:

Asset Class	Representative Index	2017 Weight	2016 Weight
Canadian equities	S&P/TSX Composite Index	16%	16%
U.S. equities	S&P 500 Index (Cdn$)	6.5	6.5
U.S. equities	S&P 500 Index - Hedged	6.5	6.5
Non-North American equities	MSCI AEFE Index (Cdn$)	14	14
Global equities	MSCI All Country World Index (Cdn$)	8	8
Emerging Markets equities	MSCI Emerging Markets (Net)(Cdn$)	4	4
Real Estate	Investment Property Databank	15	15
Bonds	FTSE TMX Canada Universe	26	26
Mortgage	FTSE TMX Canada Bond	4	4
		100%	100%

The University engages the services of Aon Hewitt, asset management consultants, to provide advice on the overall management of the Plan's investments and on the measurement of the Plan's performance. Aon Hewitt reports to the Joint Pension Investment Committee quarterly on the investment performance in terms of the performance of the benchmark portfolio over moving four-year periods.

The one year investment objective (the return of the benchmark portfolio) was 10.1% (2016 – 6.1%). For the year ending December 31, 2017, the Master Trust had a gross rate of return of 10.4% (2016 – 6.2%). For the four years ending December 31, 2017, the Master Trust had an annualized gross rate of return of 8.3% (2016 – 10.3%). The four-year investment objective (the return of the benchmark portfolio) was 8.1% (2016 – 9.2%).

11. Related Parties

The Plan is related to the University of Regina and other pension plans sponsored by the University. The Plan is also related to key members of management of the University and their immediate family members. No key members of University management or their immediate family members are participants in this Plan.

University employees carry out the day-to-day activity and monitoring of the Plan. The University pays all plan expenses, pension benefits, refunds and transfers on behalf of the Plan, and then is reimbursed by the Plan. Certain services, such as the preparation of cheques for payouts, and certain overhead costs, such as utilities and space related to people who perform services for the Plan, are provided by the University at no cost to the Plan.

Contributions for the federated colleges and MacKenzie Art Gallery are calculated and collected through the University's normal payroll process.