

University of Regina Non-Academic Pension Plan

Financial Statements

For the Year Ended December 31, 2020

INDEPENDENT AUDITOR'S REPORT

To: The Members of the Legislative Assembly of Saskatchewan

Opinion

We have audited the financial statements of the University of Regina Non-Academic Pension Plan, which comprise the statement of financial position as at December 31, 2020, and the statements of changes in net assets available for benefits and changes in pension obligations for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the University of Regina Non-Academic Pension Plan as at December 31, 2020, and the changes in its net assets available for benefits and changes in its pension obligations for the year then ended in accordance with Canadian accounting standards for pension plans.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the University of Regina and the University of Regina Non-Academic Pension Plan in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the University of Regina Non-Academic Pension Plan's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the University of Regina Non-Academic Pension Plan or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the University of Regina Non-Academic Pension Plan's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain an understanding of internal control relevant to the audit 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 University of Regina Non-Academic Pension Plan's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the University of Regina Non-Academic Pension Plan's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the University of Regina Non-Academic Pension Plan to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control identified during the audit.

Regina, Saskatchewan
May 7, 2021

A handwritten signature in black ink that reads "Judy Ferguson".

Judy Ferguson, FCPA, FCA
Provincial Auditor
Office of the Provincial Auditor

University of Regina Non-Academic Pension Plan
Statement of Financial Position
As At December 31
(000's)

	2020	2019
Assets		
Investments:		
Master Trust fund (Notes 5 & 10)	\$ <u>117,807</u>	\$ <u>110,992</u>
Receivables:		
Employee contributions	170	171
Employer contributions	<u>187</u>	<u>188</u>
	<u>357</u>	<u>359</u>
Total assets	<u>118,164</u>	<u>111,351</u>
Liabilities		
Accounts payable	<u>561</u>	<u>588</u>
Total liabilities	<u>561</u>	<u>588</u>
Net Assets Available for Benefits (Statement 2)	117,603	110,763
Pension Obligations (Statement 3)	<u>118,850</u>	<u>111,007</u>
Deficit	\$ <u><u>(1,247)</u></u>	\$ <u><u>(244)</u></u>

Approved by the Board of Governors



Chair, Board of Governors



Chair, Audit & Risk Management Committee

The accompanying notes are an integral part of these financial statements

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

	2020	2019
Increase in Assets		
Current period change in fair values of investments:		
Net realized gain on sale	\$ 1,700	\$ 1,642
Unrealized gain on investments	7,053	11,461
	8,753	13,103
Contributions (Note 6):		
Employee contributions	2,272	2,215
Employer contributions	2,501	2,439
	4,773	4,654
Total increase in assets	13,526	17,757
Decrease in assets		
Plan expenses (Note 7)	522	544
Pension benefits payments (Note 8)	5,085	4,892
Refunds and transfers (Note 8)	1,079	1,211
	6,686	6,647
Total decrease in assets	6,686	6,647
Increase in Net Assets	6,840	11,110
Net Assets Available for Benefits, Beginning of Year	110,763	99,653
Net Assets Available for Benefits, End of Year (to Statement 1)	\$ 117,603	\$ 110,763

The accompanying notes are an integral part of these financial statements

University of Regina Non-Academic Pension Plan
Statement of Changes in Pension Obligations
For the Year Ended December 31
(000's)

	2020 (Note 9)	2019 (Note 9)
Pension Obligations, Beginning of Year	\$ 111,007	\$ 102,824
Increase in Pension Obligations:		
Interest accrued on benefits	6,494	6,375
Benefits accrued	3,661	3,460
Change in actuarial assumptions	4,098	4,640
	14,253	14,475
Decrease in Pension Obligations:		
Benefits paid	6,345	6,292
Change in actuarial assumptions	-	-
Experience gain	65	-
	6,410	6,292
Pension Obligations, End of Year (to Statement 1)	\$ 118,850	\$ 111,007

The accompanying notes are an integral part of these financial statements

University of Regina Non-Academic Pension Plan
Notes to the Financial Statements
December 31, 2020
(\$ Thousands)

1. Description of the Plan

The following description of the University's Non-Academic Pension Plan (the 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, and prior to January 1, 2014.

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 \$155 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.

University of Regina Non-Academic Pension Plan
Notes to the Financial Statements
December 31, 2020
(\$ Thousands)

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

University of Regina Non-Academic Pension Plan
Notes to the Financial Statements
December 31, 2020
(\$ Thousands)

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, 2017 was filed with regulatory authorities and included a recommendation that the University make additional contributions of 0.85% of earnings, effective January 1, 2019.

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

University of Regina Non-Academic Pension Plan
Notes to the Financial Statements
December 31, 2020
(\$ Thousands)

thereafter by the average increase in the members who occupy a similar job or position to that member.

j) 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.

k) 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 2018, and as determined by an actuarial funding valuation performed as at December 31, 2019, there is a solvency holdback of 37% for all employees transferring monies out of the pension plan.

2. Summary of Significant Accounting Policies

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 fair value through profit or loss 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.

University of Regina Non-Academic Pension Plan
Notes to the Financial Statements
December 31, 2020
(\$ Thousands)

Investment transactions are recorded as of the trade date.

c) Other Financial Instruments

Receivables 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.

f) Pension Obligations

Pension obligations represents the present value of the obligation for pension benefits under the Plan. The pension obligation is determined pursuant to an actuarial valuation or extrapolation. Any change in the liability pursuant to the valuation or extrapolation is recognized as an increase or decrease in that year's Statement of Changes in Pension Obligations.

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. Financial Instruments

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

Receivables and Accounts Payable

The receivables 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.

University of Regina Non-Academic Pension Plan
Notes to the Financial Statements
December 31, 2020
(\$ Thousands)

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. For more information, reference should be made to the Master Trust Agreement.

5. Investment performance

The total assets of the Master Trust on December 31, 2020 is \$408,048 (2019 - \$392,116). The Unitholders' Equity at December 31 is:

	2020	2019
Academic & Administrative Employees	\$ 290,241	\$ 281,124
Non-Academic Employees	117,807	110,992
	\$ 408,048	\$ 392,116

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

	2020	2019
Academic & Administrative Employees	4,392,787.055	4,595,720.233
Non-Academic Employees	1,782,991.677	1,814,592.009
Balance, end of year	6,175,778.732	6,410,312.242

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 2020 or 2019.

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

University of Regina Non-Academic Pension Plan
Notes to the Financial Statements
December 31, 2020
(\$ Thousands)

2020	Level 1	Level 2	Level 3	Total
Cash and Short-term investments ¹	\$ 6,261	\$ -	\$ -	\$ 6,261
Bonds and Debentures	-	81,419	-	81,419
Equities	234,341	-	-	234,341
Mortgages	-	19,009	-	19,009
Real estate	-	67,021	-	67,021
Total	\$ 240,602	\$ 167,449	\$ -	\$ 408,051

2019	Level 1	Level 2	Level 3	Total
Cash and Short-term investments ¹	\$ 7,016	\$ -	\$ -	\$ 7,016
Bonds and Debentures	-	73,440	-	73,440
Equities	224,468	-	-	224,468
Mortgages	-	18,887	-	18,887
Real estate	-	68,379	-	68,379
Total	\$ 231,484	\$ 160,706	\$ -	\$ 392,190

¹Cash and Short-term investments consist of cash, investment income receivable, and short-term investments.

The Master Trust holds \$67,021 (2019 - \$68,379) in real estate. This represents 16.42% (2019 – 17.44%) 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

University of Regina Non-Academic Pension Plan
Notes to the Financial Statements
December 31, 2020
(\$ Thousands)

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 \$6,700 (2019 - \$5,700) representing 8.25% (2019 - 7.74%) of the \$106,016 (2019 - \$98,603) 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% (2019 - 8.0%) and its exposure to Non-North American equities (including global equities) was 26.3% (2019 - 25.3%).

A 10% appreciation in the Canadian dollar versus US dollar exchange rate would result in approximately a \$2,800 (2019 - \$3,100) decrease in investments in the Master Trust. A 10% appreciation in the Canadian dollar versus EAFE currencies would result in approximately a \$10,700 (2019 - \$9,900) decrease 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 Price Risk

The Master Trust is exposed to changes in equity prices in Canadian, US, and EAFE markets. Equities, including equity pooled funds, comprise 57.27% (2019 - 57.35%) 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%

University of Regina Non-Academic Pension Plan
Notes to the Financial Statements
December 31, 2020
(\$ Thousands)

of the voting shares of any corporation. Investments in pooled funds do not exceed 10% of the fair value of that fund.

The Master Trust holds the following equities:

	2020	2019
Common Shares and Pooled Funds -		
Canadian	\$ 87,477	\$ 78,216
Pooled Funds - Global	36,680	34,242
Pooled Funds - NNA	53,301	50,225
Pooled Funds - US	56,883	61,785
	<u>\$ 234,341</u>	<u>\$ 224,468</u>

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:

	2020		2019	
	10% increase	10% decrease	10% increase	10% decrease
Canadian Equities	\$ 7,000	\$ (7,000)	\$ 6,300	\$ (6,300)
US Equities	\$ 5,700	\$ (5,700)	\$ 6,200	\$ (6,200)
NNA Equities	\$ 5,300	\$ (5,300)	\$ 5,000	\$ (5,000)
Global Equities	\$ 3,600	\$ (3,600)	\$ 3,400	\$ (3,400)
Emerging Market Equities	\$ 1,800	\$ (1,800)	\$ 1,500	\$ (1,500)

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 receivables. The Plan's maximum exposure to credit risk at the reporting date is limited to the carrying value of its receivables of \$357 (2019 - \$359).

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:

	2020	2019
Cash	\$ 48	\$ 65
Investment income receivable	626	674
Short-term investments	5,587	6,277
Bonds and debentures	81,419	73,440
Mortgages	19,009	18,887
	<u>\$ 106,689</u>	<u>\$ 99,343</u>

University of Regina Non-Academic Pension Plan
Notes to the Financial Statements
December 31, 2020
(\$ Thousands)

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 0.13% to 1.80% (2019 – 1.83% to 1.97%) and maturing within 4 to 199 days (2019 - 2 to 175 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:

		Yield to Maturity	
	Pooled Funds	<u>At Fair Value</u>	
2020	\$ 81,419	1.55% - 1.95%	
2019	\$ 73,440	2.40% - 2.55%	

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. Bonds held by the Master Trust are invested in a pooled bond fund. This fund is actively managed and has a fluctuating bond portfolio, so bond credit ratings may exceed set limits time to time.

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

University of Regina Non-Academic Pension Plan
Notes to the Financial Statements
December 31, 2020
(\$ Thousands)

Credit Rating	2020		2019	
	Fair Value	Make up of Portfolio (%)	Fair Value	Make up of Portfolio (%)
AAA	\$ 20,684	25.40%	\$ 28,503	38.81%
AA	25,797	31.69%	24,136	32.86%
A	15,184	18.65%	11,353	15.46%
BBB	13,247	16.27%	8,416	11.46%
BB & Below	6,507	7.99%	1,032	1.41%
Total	\$ 81,419	100.00%	\$ 73,440	100.00%

* During 2020, credit ratings for bonds were all in compliance at the time of purchase

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	2020		2019		Employee	2020		2019	
Current Service	\$ 2,501	\$ 2,437	Required	\$ 2,271	\$ 2,213				
Past Service	0	2	Past Service	0	2				
	\$ 2,501	\$ 2,439		\$ 2,272	\$ 2,215				

7. Plan Expenses

	2020		2019
	Budget	Actual	Actual
Actuarial and consulting services	\$ 270	\$ 205	\$ 173
Administration	174	113	126
Investment management	182	162	205
Trustee fees	42	42	40
	\$ 668	\$ 522	\$ 544

University of Regina Non-Academic Pension Plan
Notes to the Financial Statements
December 31, 2020
(\$ Thousands)

8. Pension Benefits, Refunds and Transfer Payments

	2020	2019
Retirement benefits	\$ 5,085	\$ 4,892
Termination benefits	900	1,037
Death benefits	179	174
	\$ 6,164	\$ 6,103

9. Pension Obligations

During the year, the University of Regina early-adopted amendments to CPA Canada Handbook (the Handbook) Section 3463 in Part III and Section 3462 in Part II. These changes did not require retroactive restatement. The Canadian accounting standards for pension plans in Part IV of the Handbook uses Section 3462 as guidance in calculating the pension obligation. This has resulted in a change in the actuarial methodology used to calculate the pension obligation in 2020, which is now calculated directly from the funding valuation and not from a separate accounting valuation.

Aon, a firm of consulting actuaries, performed an actuarial valuation as at December 31, 2019 and extrapolated it to December 31, 2020. 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, 2022. Significant long-term assumptions used in determining the pension obligation are:

	as at December 31	
	2020	2019
Salary escalation rate	2.75% in 2020; 3.00% in 2021; 2.75% per annum thereafter.	1.50% in 2018 and 2019; 2.75% in 2020; 3.00% in 2021; 2.75% per annum thereafter.
Inflation rate	2.25%	2.25%
Discount rate	6.15%	5.85%

In the December 31, 2020 extrapolation, the change in actuarial assumptions increased the pension obligation by \$4,098. This loss is due to the inclusion of a 6.80% margin for the balance sheet and an 8.85% margin for current service cost, which was not included in the past. This loss was reduced by a gain on the change in discount rate. In addition there was a change in the reflection of the administration expenses now included in the current service cost.

Mortality tables used for 2020 and 2019 were the CPM 2014 Private Sector Mortality Table at 100% for males and 95% for females projected generationally with the CPM improvement Scale B.

University of Regina Non-Academic Pension Plan
Notes to the Financial Statements
December 31, 2020
(\$ Thousands)

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 discount rate is equal to inflation rate plus a real rate of return. The salary increase and the Income Tax Act Maximum pension increase equals the inflation rate plus 1.0%. Thus changing the inflation rate by plus/minus 1.0% will automatically increase/decrease the discount rate, salary increase and Income Tax Act Maximum pension increase assumption by 1%.

Assumption:	Adjusted Assumption (Change Made):	Change in Accrued Liability	Percentage Change in Accrued Liability
Discount Rate	7.15% (Plus 1%) 5.15% (Minus 1%)	(\$12,955) \$16,045	(10.9%) 13.5%
Salary, and <i>Income Tax Act</i> Maximum Pension increase	3.75% (Plus 1%) 1.75% (Minus 1%)	\$2,971 (\$2,615)	2.5% (2.2%)
Inflation rate	3.25% (Plus 1%) 1.25% (Minus 1%)	(\$10,459) \$12,479	(8.8%) 10.5%

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 Bentall GreenOak, 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:

University of Regina Non-Academic Pension Plan
Notes to the Financial Statements
December 31, 2020
(\$ Thousands)

Asset Class	Representative Index	2020 Weight	2019 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 EAFE Index (Cdn\$)	14%	14%
Global equities	MSCI All Country World Index (Cdn\$)	8%	8%
Emerging Markets equities	MSCI Emerging Markets (Net)(Cdn\$) MSCI/REALPAC Canada Quarterly	4%	4%
Real Estate	Property Fund Index	15%	15%
Bonds	FTSE Canada Universe Bond Index	26%	26%
Mortgage	FTSE Canada Short Term Bond Index	4%	4%
		100%	100%

The University engages the services of Aon, 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 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 8.7% (2019 – 14.8%). For the year ending December 31, 2020, the Master Trust had a gross rate of return of 8.0% (2019 – 13.3%). For the four years ending December 31, 2020, the Master Trust had a gross rate of return of 7.3% (2019 – 7.03%) and benchmark return of 8.0% (2019 – 7.55%).

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.

12. Impact of COVID-19

Financial markets have been negatively impacted by the novel Coronavirus or COVID-19, which was declared a pandemic by the World Health Organization on March 12, 2020. This has resulted in significant economic uncertainty as the Plan has been

University of Regina Non-Academic Pension Plan
Notes to the Financial Statements
December 31, 2020
(\$ Thousands)

subject to market fluctuations and may continue to experience significant volatility as the situation evolves. The duration and impact of this pandemic is unknown at this time and as such, an estimate cannot be made of the potential impact on the Plan's future operating results.