

1999 Academic Pension Plan

NEWSLETTER TO MEMBERSHIP



UNIVERSITY OF
SASKATCHEWAN

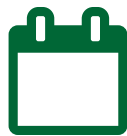
USASK
PENSION

DUE TO COVID RESTRICTIONS, THE ACADEMIC DEFINED BENEFIT PENSION COMMITTEE HAS DECIDED TO SEND A NEWSLETTER TO REPLACE THE ANNUAL GENERAL MEETING. IN THIS NEWSLETTER YOU WILL FIND PLAN BASICS, 2020 INVESTMENT PERFORMANCE AND YEAR IN REVIEW, PENSION CALCULATION EXAMPLES AND 2021 OUTLOOK.

The 1999 Academic Pension Plan

What type of Plan do I have?

You participate in the defined benefit (“DB”) pension plan. When you retire, you receive a set monthly pension payment for the rest of your life.



When You Retire

You will receive a monthly pension for your lifetime.



How Much?

It is calculated using a formula based on how long you participated in the plan and your top earning years while working at USask.

Contributions

All contributions go into a common pension fund—the same fund that is used to pay out pensions to each of our retired plan members. This fund is invested by professional investment managers.

Your Contributions

8.5%

of pensionable earnings

The University's Contributions

8.5%

of pensionable earnings

Pension Calculation

One of the greatest advantages of a defined benefit pension plan is that you can calculate how much pension you will receive. That's because your pension is based on a formula—simply plug in your numbers to see what you'll get when you retire!

2%

X

Highest average earnings

Average of your highest pensionable earnings in 48 consecutive months of participation.

X

Pensionable service

Years and months that you participate in the plan.

Minus

0.4%

X

Average YMPE*

X

Years of Service post-2005

*The Years' Maximum Pensionable Earnings (YMPE) is an amount set by the federal government each year. It is used as the ceiling for contributions to the Canada Pension Plan. We use the average YMPE from the three calendar years immediately prior to your retirement to calculate the offset.

When can you retire?

The plan offers three retirement scenarios—in all cases, your retirement will take effect on the first of the month:



Early

On June 30 following your **55th** birthday



Normal

On June 30 following your **67th** birthday



Postponed

By the end of the year you turn **71**

Early Retirement

You can retire on the June 30 following your 55th birthday and any time before the June 30 following your 67th birthday. Depending on when you retire, you may receive a reduced or an unreduced pension from the plan.

55	56	57	58	59	60	61	62	63	64	65	66
Reduced pension unless you meet special criteria					Unreduced pension starting at age 60						

No Reduction

To retire before age 60 with no reduction, you must:

- Have 30 years of continuous service, **or**
- Your age + continuous service must total at least 80

Reduced

If you retire early (and don't meet the special criteria), your pension will be reduced:

0.25%

for each month that you retire before being eligible for an unreduced pension (that adds up to a total of 3% per year) This reduction applies for all the years you receive your lifetime pension.

Retirement Payment Options

Your pension is payable at the end of each month for your lifetime

If you're single (Normal Form)

You get the "normal form" pension paid from the time you retire for the rest of your lifetime.

The normal form is a single life guaranteed 10 year pension.

That means if you die before receiving 10 years (i.e., 120 months) of pension payments, your remaining pension will be paid out to your beneficiary or estate.

If you have a spouse (Joint and Survivor Form)

You get a pension paid from the time you retire for the rest of your lifetime.

If you die before your spouse, they will continue to receive a percentage of your pension for the rest of his or her lifetime.

You can choose the percentage paid to your spouse—**100%, 75%, 66.7% or 60%** of the pension amount paid to you.

When you choose the joint and survivor form, your monthly pension will be less than if you were single. This is to account for the extra payments that may continue to your spouse.

\$174,598

is the maximum amount of pension you can earn in 2021. Limit is set by the Canada Revenue Agency and increases annually.

2020: \$166,351
2019: \$162,758
2018: \$158,402
2017: \$156,782
2016: \$155,480

Pension Calculation Examples



Meet John

Age: 60
Retirement: Dec. 31, 2021
Spouse Age: 57
Years of Service: 23
 • 7 years pre-2006
 • 16 years post-2005

Pensionable Earnings and Year's Maximum Pensionable Earnings (YMPE) for the last 4 years

Year	Actual Earnings	Annual Pensionable Earnings*	Year's Maximum Pensionable Earnings
2021	\$110,000	\$110,000	\$61,600
2020	\$105,000	\$105,000	\$58,700
2019	\$100,000	\$100,000	\$57,400
2018	\$95,000	\$95,000	\$55,900

*After Applying Maximum Limit

Highest Average Earnings (4 years) = \$102,500
 ($110,000 + 105,000 + 100,000 + 95,000$) / 4

Average of the final 3 years of the Yearly Maximum Pensionable Earnings (YMPE) = \$59,233
 ($61,600 + 58,700 + 57,400$) / 3

Calculation

$$\begin{array}{r}
 2\% \times \text{Highest average earnings } \$102,500 \\
 \text{MINUS} \\
 0.4\% \times \text{YMPE } \$59,233 \\
 \hline
 \end{array}
 \times
 \begin{array}{r}
 \text{Pensionable service } 23 \\
 \text{Years of Service post-2005 } 16 \\
 \hline
 \end{array}
 = \$47,150.00 + \$3,790.91 = \$43,359.09$$

John will receive:
\$43,359.09 per year or **\$3,613.26** per month

Retirement Payment Options

	Guaranteed Period (Years)			
	0	5	10	15
Normal Form	N/A	N/A	\$3,613.26	\$3,565.88
Joint and Survivor Form 60%				
Member Amount	\$3,378.31	\$3,374.64	\$3,363.98	\$3,346.00
Spouse's Amount	\$2,026.99	\$2,024.78	\$2,018.39	\$2,007.60



Meet Elyse

Age: 65
Retirement: Dec. 31, 2021
Spouse Age: 57
Years of Service: 33
 • 17 years pre-2006
 • 16 years post-2005

Pensionable Earnings and Year's Maximum Pensionable Earnings (YMPE) for the last 4 years

Year	Actual Earnings	Annual Pensionable Earnings*	Year's Maximum Pensionable Earnings
2021	\$185,000	\$174,598	\$61,600
2020	\$180,000	\$166,351	\$58,700
2019	\$175,000	\$162,758	\$57,400
2018	\$170,000	\$158,402	\$55,900

*After Applying Maximum Limit

Highest Average Earnings (4 years) = \$165,527
 ($174,598 + 166,351 + 162,758 + 158,402$) / 4

Average of the final 3 years of the Yearly Maximum Pensionable Earnings (YMPE) = \$59,233
 ($61,600 + 58,700 + 57,400$) / 3

Calculation

$$\begin{array}{r}
 2\% \times \text{Highest average earnings } \$165,527 \\
 \text{MINUS} \\
 0.4\% \times \text{YMPE } \$59,233 \\
 \hline
 \end{array}
 \times
 \begin{array}{r}
 \text{Pensionable service } 33 \\
 \text{Years of Service post-2005 } 16 \\
 \hline
 \end{array}
 = \$109,247.82 + \$3,790.91 = \$105,456.91$$

Elyse will receive:
\$105,456.91 per year or **\$8,788.08** per month

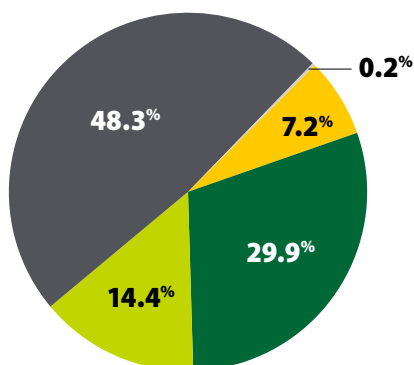
Additional Maximum Test

Maximum pension payable for each year of service is **\$3,245.56** (for retirements in 2021)
\$3,245.56 x 33 = \$107,103.48 per year payable in the **Normal Form**

Because the maximum pension is less than the calculation of the pension using plan formula, there is no additional limit applied.

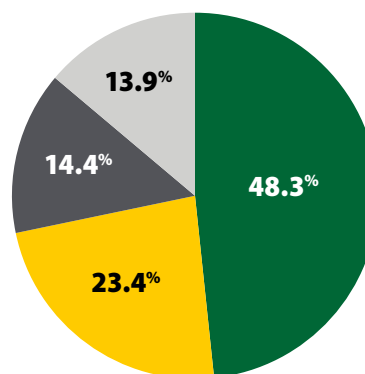
Pension Plan Information at December 31, 2020

Market Value of Pension Plan Assets



Asset Classes	2020
Canadian Equities	\$13,271,000
Non-Canadian Equities	\$55,407,000
Real Estate	\$26,712,000
Total Equities	\$95,390,000
Bonds	\$89,614,000
Money Market and Short-term Inv.	\$437,000
Total Fixed Income	\$90,051,000
Total Market Value	\$185,441,000

Distribution of Assets Among Investment Managers



Investment Manager	2020
BlackRock	\$89,614,000
Jarislowsky Fraser Limited	\$43,391,000
TD Asset Management Epoch	\$26,712,000
TD Greystone	\$25,691,000

Investment Performance

The long-term investment goal of the Plan is to achieve a minimum annualized rate of return of at least 4.40%. To achieve this goal, the Plan has adopted an asset mix that is balanced between Cash and Fixed Income Assets (i.e. Long Term Bonds and Money Market and Short-Term Investments) and Growth Assets (Equities and Real Estate). The responsibility for investing the assets of the Plan has been delegated to four professional investment fund managers with different mandates to ensure adequate investment diversification.

The Plan's Return Benchmark is a performance standard developed by the Plan's Investment Consultant, Aon. The Academic Defined Benefit Pension Committee and the Board of Governors have approved the benchmark. The investment fund managers of the Plan are expected to meet or surpass the benchmark.

Investment Performance	2020	Last 4 Years	Last 10 Years
Return*	5.9%	7.2%	8.8%
Benchmark*	9.8%	8.4%	8.3%

*Gross of Fees

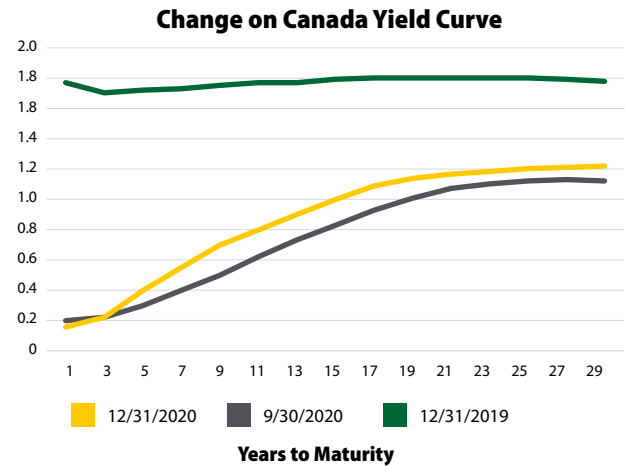
2020 The Year In Review

Market Performance

All markets experienced an extremely volatile ride in 2020. Stock market performance captured a great deal of the headlines but bond, currency, commodity and real estate performance also had significant ups and downs.

Equity markets started off well and hit all-time highs last February. However, from February 19 to March 23, stock market performance around the world experienced a significant drop of approximately 30-40% as investors weighed in on the potential impact of the COVID-19 on corporations' ability to be profitable. The central banks around the world then stepped into support the global economy and the equity markets experienced a strong rebound led by high growth-oriented companies that had become essential and more profitable during the height of the pandemic. In November, after the announcement that COVID-19 vaccines would start becoming available and the pending change in the U.S. President, equity markets regained strength with much of the companies that experienced poor stock market performance earlier in the year leading the way as investors made decisions in the hopes of better days ahead. By the end of the year, stock markets ended the year in positive territory.

Bond investors at the beginning of the year generally felt performance would be fairly muted with the Government of Canada bond yield curve relatively flat. In other words, the yields on Government of Canada bond yields were pretty much the same whether it was maturing in one year or maturing in 30 years and all points in-between. During the height of market tension, the Bank of Canada cut the overnight rate from 1.75% to 0.25% within a one-month period. As a result, short-term bond yields dropped significantly while long-term bond yields did not drop as much (see chart below). Since bond yields generally have an inverse relationship with bond returns, bond investors were rewarded with strong performance in 2020 with those investors invested in long-term bonds experiencing the highest returns because of its greater interest rate sensitivity.



Source: Bank of Canada

The Canadian dollar's value against the U.S. dollar was relatively unchanged if one looked at it as of December 31, 2019 and December 31, 2020. However, the Canadian dollar did drop in value significantly in March against most major currencies during the height of the market tension and a significant drop in oil prices. However, as stock performance improved and commodity prices rebounded, the Canadian dollar experienced a strong bounceback in the final 9 months of 2020.

The Canadian commercial real estate market started off the year with positive performance in the first quarter of 2020. However, as the COVID-19 became more pervasive globally, retail properties began facing significant challenges with tenants delaying or not making rent payments and office properties going under the microscope due to so much of the workforce working from home. However, industrial and multi-residential properties continued to increase in value and experienced very little drop-off in income generation. The commercial real estate market experienced negative returns for the remainder of the year and ended 2020 in slightly negative territory as well.

Plan Performance

The University of Saskatchewan 1999 Academic Pension Plan experienced a return of +5.9% in 2020, gross of investment management fees and expenses. An example of how volatile a year we experienced can be seen in the returns of the Plan's investment managers and strategies in 2020:

Manager	Strategy	Q1	Q2	Q3	Q4
BlackRock	CDN Long Bonds	-0.1%	11.2%	-0.3%	0.8%
Jarislowsky Fraser	Equities	-14.4%	11.5%	5.4%	9.2%
TDAM – Epoch	Global Equities	-17.4%	7.2%	3.2%	6.5%
TDAM – Greystone	Real Estate	1.5%	-3.5%	-0.5%	0.7%
Total Funds		-6.4%	8.0%	1.3%	3.4%

Performance was led by the strong performance of the Canadian Long Bonds portfolio (i.e. investment-grade bonds maturing in 10 years or more) and the strong rebound in the equity market in the final three quarters of the year. The real estate portfolio experienced a slightly negative return in 2020 as did the one of the equity strategies that had little exposure to the high growth-oriented companies that drove market performance. In the first half of the year, the Plan's target asset mix changed from 40% Cash & Fixed Income and 60% Growth Assets to 50% Cash & Fixed Income and 50% Growth Assets after the Plan's financial position improved.

2021 Outlook

Bonds

News of vaccine approvals combined with historically large stimulus packages by the Canadian Federal government lifted mid and longer term bond yields over the quarter and into the new year. The result has been a steepening of the yield curve and, with short-term yields set to be anchored by very accommodative monetary policy, it is likely that a steeper yield curve will persist for a while yet. Some of this impetus will need to come from global sources, especially from the U.S., which tends to have a relatively close linkage with the direction of Canadian bond yields. Nonetheless, we do not expect bond yield rises to be very strong. The Bank of Canada has already stated that it has no intention of tightening monetary policy until the pandemic is over and economic slack has been reduced – this is likely to be beyond this year at least. Close to zero near-term rates will anchor mid- and long-term yields and thus limit their rise. There is some concern about the inflationary implications of huge government spending and large-scale money creation but, without this stimulus being joined by improving activity from consumers and businesses alike, it is too early to conclude that inflation will accelerate to levels that might be considered problematic for policymakers.

Credit markets, much like equities, raced well ahead of fundamentals in 2020. Credit spreads are today significantly lower than a year ago, which is remarkable considering the pandemic's effects on credit losses (more credit downgrades and a higher default rate in sub-investment grade bonds). A view that this problem is temporary helps. Alongside is an expectation that central banks will continue to protect this market in adverse conditions, in the way done through March/April 2020. However, even as underlying government bond yields have firmed in the past few months, corporate bond yields have carried on falling, reflecting rapid spread tightening. This means that investment grade bond yields have now fallen well behind expected inflation. This is disappointing for investors even if such yields beat zero-earning cash.

Equities

Zero rates, policy stimulus and strong central bank backstops are powerful supports. Given this backdrop and a vaccine-led recovery, we expected markets to consolidate going into 2021 while allowing economies to do some catching up with market strength. However, global equities are already up by over 15% since the start of November when the vaccine news broke. This large move now sets a high bar for further market gains. Challenges come on three fronts. First, this ascent has pushed equities to very high valuations, currently about the most expensive they have ever been. Second, central banks are aware that these conditions are creating excessive asset market strength and that some indicators of speculative activity have risen to high levels, as more stock trading is driven by online retail platforms. Should these trends continue, measures to cool market bullishness could be seen, triggering a market setback. Third, the pace of post-vaccine economic normalisation could be slower than the market currently expects. All in all, this is not exactly plain sailing for equity markets, especially for long-term investors.

Currencies

The Canadian dollar has rallied 14% against the US dollar since its March Covid lows, reaching 21-month highs in January. It has been a beneficiary of the rising reflationary tide that the weaker U.S. dollar, rising commodity prices and investor optimism over economic recovery this year have prompted.

We hold the view that the global economy will recover in H2 2020 and that the US dollar's decline has further to run over the medium-term. There are clear short-term risks to this outlook – virus uncertainty remains, and the U.S. dollar is currently oversold. However, global economic conditions appear positive for the Canadian dollar overall this year and domestic virus control and fiscal stimulus are also supportive. The new U.S. presidency will provide more regional political stability even if the cancellation of the Keystone XL pipeline is a negative. We therefore remain moderately positive on the Canadian dollar although we do not expect a strong rise from here and setbacks are possible.

Real Estate

Over 2020, COVID-19 had a distinct impact on the Canadian real estate market depending on the property type. The hospitality and retail sectors have been challenged the most and the office market has experienced a disruption in leasing activity as work-from-home has become the temporary normal. However, the pandemic has demonstrated the importance of e-commerce and supply chain logistics, as well as the need for industrial assets such as distribution, warehousing and fulfillment centers. Moreover, multi-family assets are providing capital preservation and income predictability given their countercyclical characteristics and strong fundamentals. Private markets will arguably become even more popular given dwindling prospects in equity markets. Real estate demand looks likely to make a comeback as recovery expectations strengthen.

Summary

Economic conditions around the world remain soft after the summer recovery in activity petered out a few months ago. Second, or in some cases, third, COVID-19 waves, with their restrictions and curtailed activity are bringing another round of weakness, highlighted in economic indicators. Canada's economic performance has not been too negative relative to its peers, but recent lockdowns threaten output once again. While another global recession, in a technical sense, may be avoided, this is not that comforting. Ahead, vaccine rollouts are the main hope. If completed in the first half of 2021, restrictions can be slowly lifted, and confidence should then revive. This promise of economic reopening and recovery is what investors are banking on.



IT'S NEVER TOO EARLY (OR TOO LATE) TO START THINKING ABOUT YOUR RETIREMENT

Retirement represents a major milestone in your career and is a significant life event. Before you reach your desired retirement age it is important that you prepare by ensuring you have your retirement plan so you're ready to begin the next adventure in your life.

There is a new retirement resource in PAWS that will help guide you on this journey.

 paws.usask.ca/go/retirement

When should I contact the Pensions Office?

YOU SHOULD CONTACT US IF YOU:

- have general questions about your pension plan or annual statement
- are retiring or leaving the University
- considering retirement and require information
- need to make changes to your pension beneficiary designation
- have already left the University and require assistance understanding your options
- completing your pension option forms

Pension Administration and Support

Pension and Benefits Office, Finance and Resources

Room E180, Administration Building
105 Administration Place
Saskatoon, SK S7N 5A2

Tel: 306-966-6633

Email: pensions.inquiries@usask.ca

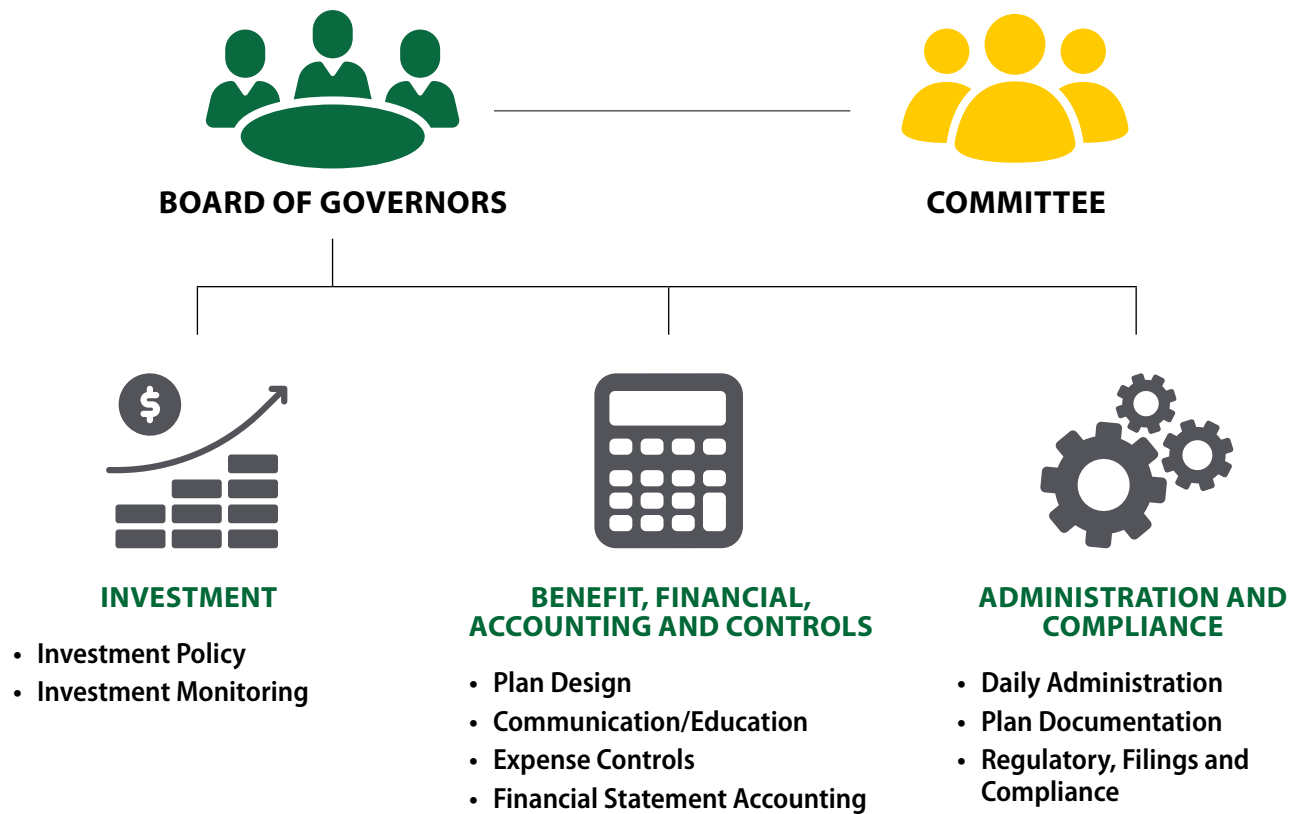
Web: wellness.usask.ca/benefits/pension.php



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1999 Academic Pension Plan Governance Structure



Academic Defined Benefit Pension Committee Members

FACULTY ASSOCIATION APPOINTEES:

- **Phil Chilibeck**, Kinesiology
- **Doug Degenstein**, Physics and Engineering Physics
- **Gordon Sarty**, Psychology and Health Studies

BOARD OF GOVERNOR REPRESENTATIVES

- **Sandra Baptiste**, Finance and Resources
- **Ana Crespo-Martin**, Faculty Relations
- **Heather Fortosky**, Finance and Resources

OBSERVER

Michael Cuggy, ASPA