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1999 Academic Pension Plan

ANNUAL REPORT TO MEMBERSHIP
JUNE 2019

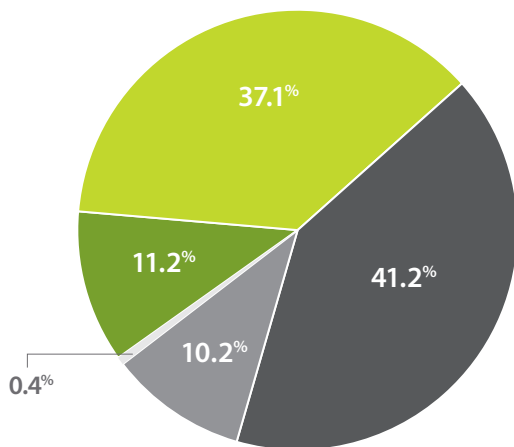


The primary purpose of this report is:

- to review the actuarial valuation information and contribution requirements of the 1999 Academic Pension Plan as at December 31, 2018
- to review investments and investment performance of the Plan in 2018
- to report on the activities of the Academic Defined Benefit Pension Plan Committee (ADBPC)

Pension Plan Information at December 31, 2018

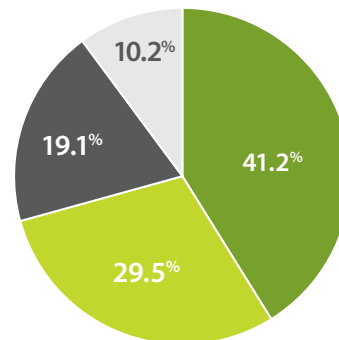
MARKET VALUE OF PENSION PLAN ASSETS



Asset Classes	2018
Canadian Equities	\$19,619,000
Non-Canadian Equities	\$64,898,000
Total Equities	\$84,517,000
Bonds	\$72,071,000
Real Estate	\$17,768,000
Short-term Investments	\$639,000
Total Fixed Income	\$90,478,000
Total Market Value	\$174,995,000

Distribution of Assets Among Investment Managers

Investment Manager	2018
BlackRock Asset Management	\$72,071,000
Jarislowsky Fraser Limited	\$51,611,000
TDAM Epoch	\$33,545,000
Greystone	\$17,768,000



INVESTMENT PERFORMANCE

The long-term investment goal of the Plan is to achieve a minimum annualized rate of return of 3.45% in excess of the Canadian Consumer Price Index. To achieve this goal, the Plan has adopted an asset mix that has a bias in favour of equity investments. 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.

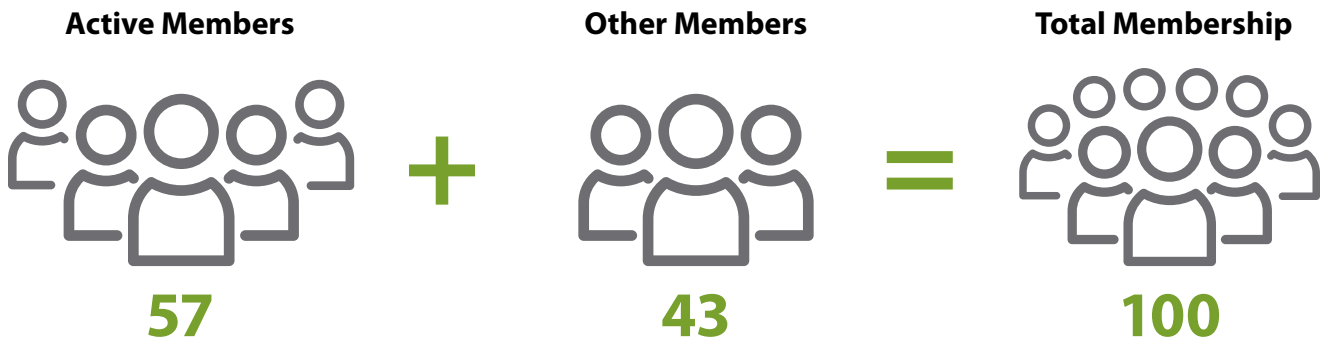
The Plan's Return Benchmark is a performance standard developed by the Plan's Investment Consultant, Aon. The Academic Defined Benefit Pension Committee and the Board of Governors have approved the benchmark. The investment fund managers of the Plan are expected to meet or surpass the benchmark.

Investment Performance	2018	Last 4 years	Last 10 years
Return*	0.3%	5.5%	8.4%
Benchmark*	(0.6%)	5.4%	7.8%
Consumer Price Index	2.0%	1.7%	1.6%

*Gross of fees

Actuarial Valuation at December 31, 2018

MEMBERSHIP DATA



	2018	2017
Active Members	57	81
Other members (inactive, deferred, pending transfers, transfer deficiency holdbacks)	43	50
Average age of membership	58.7 years	59.8 years
Average pensionable service	21.4 years	21.8 years
Average pensionable salary	\$131,261	\$131,630
Expected average remaining service	6.0 years	5.4 years
Pensioners and Beneficiaries	194	171
Average annual pension	\$46,446	\$45,250
Number of temporary pensioners	8	12
Average temporary monthly pension	\$4,147	\$4,725
Average temporary pension total number of payments remaining	30.6 months	31.0 months

A SNAPSHOT OF YOUR PENSION PLAN

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.

WHILE YOU ARE WORKING



WHEN YOU RETIRE



How much?



It’s based on how long you participated in the plan and how much you earned.

Your pension is paid for your lifetime. Plus — there’s an option for your spouse. If you die first, your spouse will continue to receive a portion of your pension benefit.

GOING-CONCERN FINANCIAL POSITION OF THE PLAN

The financial position of the Plan on a going-concern basis is measured by comparing the market value of assets to the actuarial liabilities assuming the Plan is continuing for the long-term.

The following table outlines the results of the actuarial valuation performed as at December 31, 2018. Comparative numbers as at December 31, 2017 are also provided.

		2018	2017
	ASSETS		
	Fund value (net assets available for benefits)	\$174,797,000	\$184,170,000
	LIABILITIES		
	Present value of accrued benefits for active members	\$39,305,000	\$55,661,000
	Pensioners	\$112,322,000	\$95,553,000
	Temporary pensioners	\$878,000	\$1,411,000
	Other members (inactive, deferred, pending transfers)	\$6,448,000	\$5,632,000
	Voluntary and transferred contributions	\$518,000	\$817,000
	Defined contribution account balances	\$242,000	\$331,000
	Transfer deficiency holdbacks	\$4,853,000	\$5,990,000
	Provision for adverse deviation	\$7,947,000	\$7,914,000
	Total actuarial liabilities	\$172,513,000	\$173,309,000
	SURPLUS	\$2,284,000	\$10,861,000
FUNDED RATIO (assets/liabilities)		101%	106%

CONTRIBUTION AND FUNDING REQUIREMENTS

The Plan will file a valuation report with the regulators at December 31, 2018. The Plan revealed a going-concern surplus of \$2,284,000 and therefore no special payments are required.

The actuary has concluded that current contribution rates continue to be less than the benefits currently accruing to members of the Plan. The valuation at December 31, 2018 revealed a current service cost deficiency of 7.31% of pensionable earnings. However, surplus assets are sufficient to cover this deficiency; therefore, no additional contributions are required to be made to the Plan.

HYPOTHETICAL WIND-UP POSITION OF THE PLAN

The Pension Benefits Act (Saskatchewan) requires the University to review whether the assets of the Plan would be sufficient to cover the liabilities of the Plan in the event of a plan wind-up. The following table outlines the wind-up position of the plan at December 31, 2018. The Plan has been classified as a "Specified Plan" and is not required to fund solvency deficiencies.

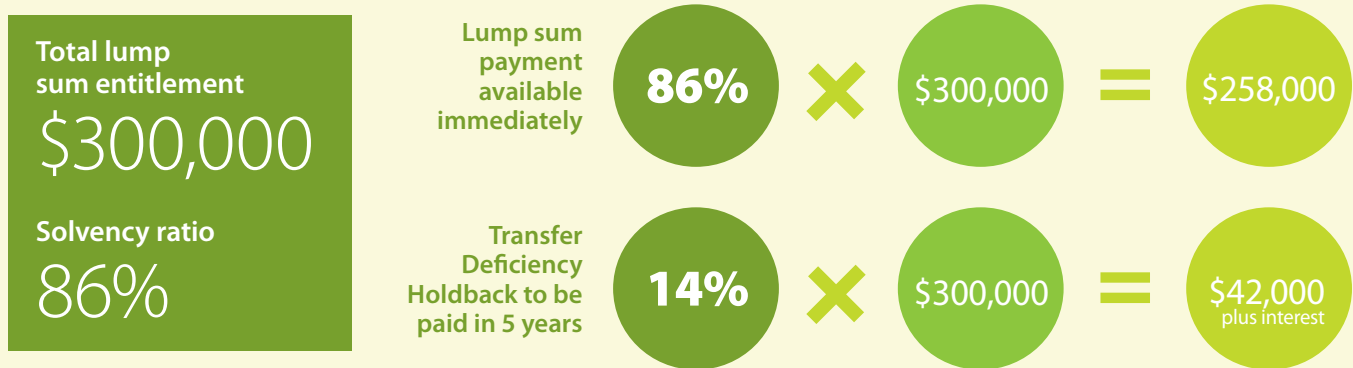
	2018	2017
Actuarial value of assets	\$174,597,000	\$183,970,000
Actuarial liability	\$204,116,000	\$211,845,000
Surplus (Deficit)	\$(29,519,000)	\$(27,875,000)
Solvency ratio(assets/liabilities)	86%	87%

TRANSFER DEFICIENCY REQUIREMENTS

As the Plan has a solvency ratio of 86% (determined in the last filed valuation at December 31, 2018), it is necessary to withhold 14% of any lump-sum payments. The amount withheld, referred to as the “transfer deficiency”, will be paid out with interest at the end of the five-year period following the date of original pay-out (or earlier in the event of plan surplus). This provision does not impact members retiring and commencing a pension from the Plan.

TRANSFER DEFICIENCY PAYOUT EXAMPLE

Applies to individuals who terminate employment and elect to transfer the lump sum value of their entitlement out of the Plan.



DE-RISKING STRATEGY

The Academic Defined Benefit Pension Committee (ADBPC) undertook at review of the investment policy, with the assistance of the plan investment consultant, Aon, that resulted in the establishment of a de-risking strategy. As per the Statement of Investment Policies and Procedures, in implementing the strategy and required changes in the asset mix, the ADBPC undertook investment manager searches with the following changes being made in 2018:

- Tweedy Browne was terminated from the Global Equity mandate
- TD Asset Management Epoch was hired as the Global Low volatility Equity manager
- TD Greystone was hired as the Real Estate manager

A glide path has been established that transitions this asset mix in a step-by-step manner towards increases in the liability matching component (bonds) as plan assets allow.

1999 Academic Pension Plan Information

PLAN DOCUMENTS

Copies of the following documents are on file in the Pensions and Benefits office. They are available for inspection by any member of the Plan during regular working hours by prior arrangements.

- Plan Text
- Financial Statements
- Actuarial Reports
- Auditor's Report
- Committee meeting agendas and minutes

OTHER AGENTS OF THE PLAN

Actuary: **Aon**, Saskatoon

Investment Consultant: **Aon**, Vancouver

Custodian: **CIBC Mellon**



Academic Defined Benefit Pension Committee

COMMITTEE MEMBERS

Faculty Association Appointees:

- **Doug Degenstein**, Physics and Engineering Physics
- **Pat Krone**, Anatomy and Cell Biology
- **Gordon Sarty**, Psychology

Board of Governor Representatives

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

Observer

Frank Bulk, ASPA

Meetings of the Committee

The Academic Defined Benefit Pension Committee met 4 times during the year. Acting in its capacity as managing fiduciary, the Committee is responsible for the oversight of the 1999 Academic Pension Plan operations, including funding, investment, and administration of the Plan. The Committee activities over the past year in fulfilling these responsibilities are outlined in the following table.

	May 28, 2019	Feb. 28, 2019	Nov. 15, 2018	Sept. 20, 2018
	2.0 hours	1.5 hours	3.0 hours	3.0 hours
	<ul style="list-style-type: none"> ■ Quarterly Investment Performance Review to March 31 ■ 2018 Actuarial Valuation Review ■ Financial Statements at Dec. 31, 2018 Review ■ Annual Report Review 	<ul style="list-style-type: none"> ■ Quarterly Investment Performance Review to Dec. 31 ■ Discussion continued re: Bank of Nova Scotia acquisition of Jarislowsky Fraser 	<ul style="list-style-type: none"> ■ Quarterly Investment Performance Review to Sept. 30 ■ Investment Manager Presentation: Epoch / TDAM ■ Investment Manager Presentation: TD Greystone ■ Statement of Investment Policies and Procedures Review ■ Discussion re: Bank of Nova Scotia acquisition of Jarislowsky Fraser 	<ul style="list-style-type: none"> ■ Statement of Investment Policies and Procedures Review ■ Quarterly Investment Performance Review to June 30 ■ Investment Manager Presentation: BlackRock ■ Investment Manager Presentation: Jarislowsky Fraser



Please contact the Pensions and Benefits Office at 306-966-6633 or any member of the Academic Defined Benefit Pension Plan Committee if you have any questions about the items covered in this newsletter.

USASK PENSION



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