

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, 2015
- \* to review investments and investment performance of the Plan in 2015
- \* to report on the activities of the Academic Defined Benefit Pension Committee (ADBPC)

### **▣ INVESTMENTS of the PENSION PLAN at December 31, 2015**

#### **Market Value of Pension Plan Assets**

<b>By Asset Classes</b>	<b>2015 (\$000)</b>	<b>% of Market Value</b>
<i>Canadian Equities</i>	\$ 35,196	19.7
<i>Non-Canadian Equities</i>	67,584	37.8
<b>Total Equities</b>	<b>\$ 102,780</b>	<b>57.5</b>
<i>Bonds</i>	\$ 72,996	40.8
<i>Short term investments</i>	3,158	1.7
<b>Total Fixed Income</b>	<b>\$ 76,154</b>	<b>42.5</b>
<b>Total Market Value</b>	<b>\$ 178,934</b>	<b>100.0</b>

<b>By Investment Manager</b>	<b>2015 (\$000)</b>	<b>% of Market Value</b>
<i>Jarislowsky Fraser Limited</i>	\$ 75,924	42.5
<i>BlackRock Asset Management</i>	83,622	46.8
<i>Tweedy Browne</i>	19,177	10.7

#### **Investment Performance**

The long-term investment goal of the Plan is to achieve a minimum annualized rate of return of 3.85% 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 three 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 Hewitt. 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.

<b>Investment Performance</b>	<b>2015</b>	<b>Last 4 years</b>	<b>Last 10 years</b>
<i>Plan return (gross)</i>	7.7%	12.1%	7.1%
<i>Plan return benchmark (gross)</i>	7.5%	10.6%	5.9%
<i>Consumer Price Index</i>	1.6%	1.3%	1.6%

## **ACTUARIAL VALUATION at December 31, 2015**

### **Membership Data**

	<b>2015</b>	<b>2014</b>
<i>Active members</i>	106	120
<i>Other members (inactive, deferred, pending transfers, transfer deficiency holdbacks)</i>	64	70
<i>Average age of membership</i>	59.2 years	58.8 years
<i>Average pensionable service</i>	21.1 years	20.5 years
<i>Average pensionable salary</i>	\$131,885	\$129,383
<i>Expected average remaining service</i>	5.7 years	5.9 years
<i>Pensioners &amp; Beneficiaries</i>	153	143
<i>Average annual pension</i>	\$42,351	\$41,789
<i>Number of temporary pensioners</i>	25	27
<i>Average temporary monthly pension</i>	\$4,930	\$4,945
<i>Average temporary pension total number of payments remaining</i>	33.8 months	28.5 months

### **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. As requested by the Saskatchewan Superintendent of Pensions, the valuation method has been changed in order to increase transparency in how past and future service deficits are amortized. The new method has been determined to be a more appropriate method in the current environment.

The following table outlines the financial position of the Plan under both methods for December 31, 2014; the last filed actuarial valuation report.

<b>Going-Concern Financial Position</b>	<b>2014</b> <i>(New method)</i>	<b>2014</b> <i>(Old method)</i>
<i>Actuarial value of assets</i>	\$ 177,992,000	\$ 177,992,000
<i>Actuarial liability</i>	167,124,000	170,621,000
<b>Surplus</b>	<b>\$ 10,868,000</b>	<b>\$ 7,371,000</b>
<i>Future service cost deficiency</i> <i>(4.54% of pensionable earnings)</i>	<i>(3,497,000)</i>	N/A
<b>Net Surplus</b>	<b>\$ 7,371,000</b>	<b>\$ 7,371,000</b>

The following table outlines the results of the actuarial valuation performed as at December 31, 2015. Comparative numbers as at December 31, 2014 are also provided.

<b>Going-Concern Financial Position</b>	<b>2015</b>	<b>2014</b>
<b>Assets</b>		
<b>Fund value (net assets available for benefits)</b>	<b>\$178,623,000</b>	<b>\$177,992,000</b>
<b>Liabilities</b>		
<i>Present value of accrued benefits for active members</i>	\$ 65,679,000	\$ 69,973,000
<i>Pensioners</i>	76,883,000	70,759,000
<i>Temporary pensioners</i>	3,525,000	3,563,000
<i>Other members (inactive, deferred, pending transfers)</i>	2,983,000	5,579,000
<i>Voluntary and transferred contributions</i>	807,000	1,651,000
<i>Defined contribution account balances</i>	383,000	398,000
<i>Transfer deficiency holdbacks</i>	8,648,000	7,707,000
<i>Provision for adverse deviation</i>	7,453,000	7,494,000
<b>Total actuarial liabilities</b>	<b>\$166,361,000</b>	<b>\$167,124,000</b>
<b>Surplus</b>	<b>\$12,262,000</b>	<b>\$10,868,000</b>

### **Contribution & Funding Requirements**

The Plan last filed a valuation report with the regulators at December 31, 2014. The Plan revealed a going-concern surplus of \$10,868,000 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, 2014 revealed a current service cost deficiency of 4.54% 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, 2015.

<b>Hypothetical Wind-Up Financial Position</b>	<b>2015</b>	<b>2014</b>
Actuarial value of assets	\$ 178,423,000	\$ 177,792,000
Actuarial liability	216,158,000	216,324,000
<b>Surplus (Deficit)</b>	<b>\$ (37,735,000)</b>	<b>\$ (38,532,000)</b>
Solvency ratio(assets/liabilities)	83%	82%
Special Payments Required*	---	---

\*The Plan has been classified as a "Specified Plan" and is not required to fund solvency deficiencies.

## **Transfer Deficiency Requirements**

As the Plan has a solvency ratio of 82% (determined in the last filed valuation at December 31, 2014), it is necessary to withhold 18% 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.

Effective July 1, 2015, as per Plan Amendment P-15, members eligible for an immediate monthly pension no longer have the option to transfer their lump sum value 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
- Example
  - Total LS entitlement = \$300,000
  - Solvency ratio = 82%
  - Lump sum payment available immediately = 82% x \$300,000 = \$246,000
  - Transfer Deficiency Holdback to be paid in 5 years = 18% x \$300,000 = \$54,000 (plus interest)

## **RETIREMENT PLANNING SEMINARS – April, May & June 2016**

The University of Saskatchewan, supported by the Pensions & Treasury Office, once again offered 5 full day retirement planning seminars, available to employees age 55 and over who are members of a University of Saskatchewan Pension Plan. The sessions, facilitated by Aon Hewitt, covered a variety of topics such as university pension plans, lifestyle planning, legal and estate planning, and tax and financial strategies.



Attendee feedback on the sessions has been extremely positive:

- "Excellent Session. Will recommend to my colleagues."*
- "The content and instructor were both of high quality!"*
- "Finally , I have understanding of the retirement planning complexity"*
- "The material was very informative, easy to understand. The presentation was very engaging. Excellent!"*

Watch for future sessions to come next spring!

**➤ ACADEMIC DEFINED BENEFIT PENSION COMMITTEE (ADBPC)**

**Committee Members**

**Faculty Association Appointees:**  
 E. Cristina Echevarria, Economics  
 Pat Krone, Anatomy & Cell Biology  
 Gordon Sarty, Psychology

**Board of Governor Appointees:**  
 Sandra Baptiste, Financial Services  
 Ana Crespo-Martin, Human Resources  
 Jeff Dumba, Office of the AVP (Financial Services)

**Observer:** Frank Bulk, ASPA

**Meetings of the Committee**

The Academic Defined Benefit Pension Committee met 5 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.

<b>Meeting Date</b>	<b>Time allocated</b>	<b>Purpose</b>
<i>October 7, 2015</i>	<i>3.0 hours</i>	<i>* Asset Liability Study *Quarterly Investment Performance Review to June 30<sup>th</sup> *Investment Manager Presentation: Jarislowsky Fraser</i>
<i>November 18, 2015</i>	<i>2.0 hours</i>	<i>*Asset Liability Study *Quarterly Investment Performance Review to Sept 30<sup>th</sup></i>
<i>February 22, 2016</i>	<i>2.0 hours</i>	<i>*Asset Liability Study</i>
<i>April 1, 2016</i>	<i>2.0 hours</i>	<i>*Asset Liability Study *Quarterly Investment Performance Review to Dec 31<sup>st</sup></i>
<i>May 30, 2016</i>	<i>2.0 hours</i>	<i>*Quarterly Investment Performance Review to Mar 31<sup>st</sup> *2015 Actuarial Valuation Review * Financial Statements at December 31, 2015 Review *Statement of Investment Policies &amp; Procedures Review *Sustainable Investing Discussion *Annual Newsletter Review</i>



## ❏ 1999 ACADEMIC PENSION PLAN INFORMATION

### ***Plan Documents***

Copies of the following documents are on file in the Faculty Association office and the Pensions and Treasury office (Financial Services). They are available for inspection by any member of the Plan during regular working hours by prior arrangements.

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

### ***Other Agents of the Plan***

Actuary: Aon Hewitt, Saskatoon  
Investment Consultant: Aon Hewitt, Vancouver  
Custodian: CIBC Mellon Global Securities

### ***Pension Administration & Support:***

Pensions and Treasury Office, Financial Services  
Room 220, Research Annex, 105 Maintenance Road  
306-966-6633  
[pensions.inquiries@usask.ca](mailto:pensions.inquiries@usask.ca)  
[www.usask.ca/fsd/faculty\\_staff/pension\\_plans](http://www.usask.ca/fsd/faculty_staff/pension_plans)

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