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## 1999 Academic Pension Plan

ANNUAL REPORT TO MEMBERSHIP  
OCTOBER 2017

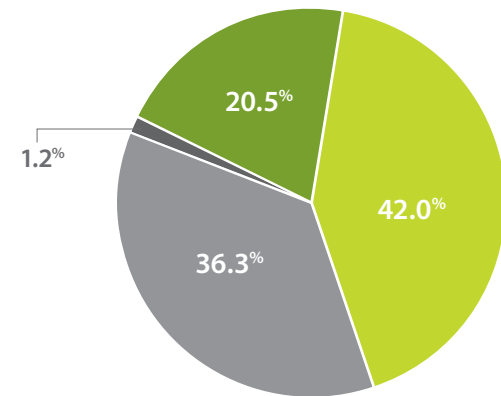


The primary purpose of this report is:

- to review the actuarial valuation information and contribution requirements of the 1999 Academic Pension Plan as at December 31, 2016
- to review investments and investment performance of the Plan in 2016
- to report on the activities of the Academic Defined Benefit Pension Plan Committee (ADBPC)

## Pension Plan Information at December 31, 2016

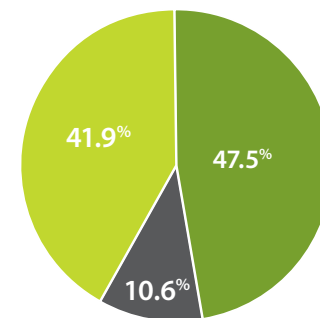
### MARKET VALUE OF PENSION PLAN ASSETS



Asset Classes	2016
Canadian Equities	\$36,790,000
Non-Canadian Equities	\$75,410,000
<b>Total Equities</b>	<b>\$112,200,000</b>
Bonds	\$65,285,000
Short-term Investments	\$2,214,000
<b>Total Fixed Income</b>	<b>\$67,499,000</b>
<b>Total Market Value</b>	<b>\$179,700,000</b>

### Distribution of Assets Among Investment Managers

Investment Manager	2016
BlackRock Asset Management	\$85,399,000
Jarislowsky Fraser Limited	\$75,232,000
Tweedy Browne	\$19,044,000



### 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.

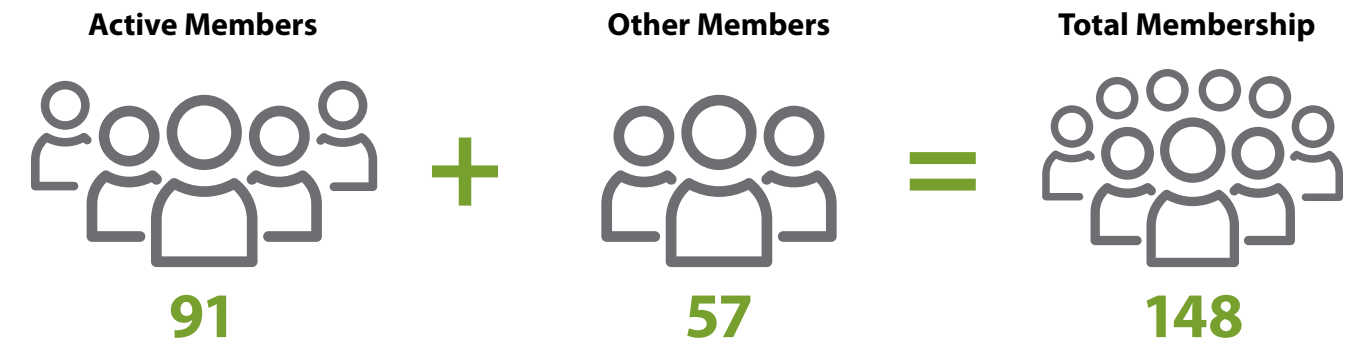
The Plan's Return Benchmark is a performance standard developed by the Plan's Investment Consultant, Aon Hewitt. The Academic Defined Benefit Pension Committee and the Board of Governors have approved the benchmark. The investment fund managers of the Plan are expected to meet or surpass the benchmark.

Investment Performance	2016	Last 4 years	Last 10 years
Return*	6.2%	11.1%	6.4%
Benchmark*	5.9%	9.9%	5.2%
Consumer Price Index	1.5%	1.5%	1.6%

\*Gross of fees

## Actuarial Valuation at December 31, 2016

### MEMBERSHIP DATA

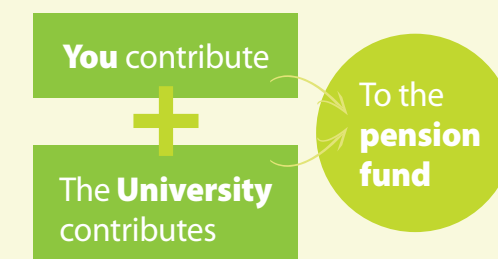


	2016	2015
Active Members	91	106
Other members (inactive, deferred, pending transfers, transfer deficiency holdbacks)	57	64
Average age of membership	59.5 years	59.2 years
Average pensionable service	21.2 years	21.1 years
Average pensionable salary	\$130,636	\$131,885
Expected average remaining service	5.5 years	5.7 years
Pensioners and Beneficiaries	162	153
Average annual pension	\$44,482	\$42,351
Number of temporary pensioners	21	25
Average temporary monthly pension	\$4,968	\$4,930
Average temporary pension total number of payments remaining	27.2 months	33.8 months

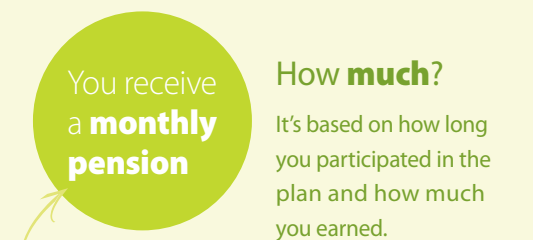
### A SNAPSHOT OF YOUR PENSION PLAN

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



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. 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 results of the actuarial valuation performed as at December 31, 2016. Comparative numbers as at December 31, 2015 are also provided.

		2016	2015
<b>ASSETS</b>	Fund value (net assets available for benefits)	\$178,605,000	\$178,624,000
<b>LIABILITIES</b>	Present value of accrued benefits for active members	\$59,323,000	\$65,679,000
	Pensioners	\$89,245,000	\$76,883,000
	Temporary pensioners	\$2,303,000	\$3,525,000
	Other members (inactive, deferred, pending transfers)	\$5,394,000	\$2,983,000
	Voluntary and transferred contributions	\$804,000	\$807,000
	Defined contribution account balances	\$345,000	\$383,000
	Transfer deficiency holdbacks	\$6,950,000	\$8,648,000
	Provision for adverse deviation	\$7,813,000	\$7,453,000
<b>Total actuarial liabilities</b>	<b>\$172,177,000</b>	<b>\$166,361,000</b>	
	<b>SURPLUS</b>	<b>\$6,428,000</b>	<b>\$12,263,000</b>

## CONTRIBUTION AND FUNDING REQUIREMENTS

The Plan last filed a valuation report with the regulators at December 31, 2016. The Plan revealed a going-concern surplus of \$6,428,000 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, 2016 revealed a current service cost deficiency of 6.55% 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, 2016.

	2016	2015
Actuarial value of assets	\$178,405,000	\$178,424,000
Actuarial liability	\$211,638,000	\$216,158,000
Surplus (Deficit)	\$(33,233,000)	\$(37,734,000)
Solvency ratio(assets/liabilities)	84%	83%
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 84% (determined in the last filed valuation at December 31, 2016), it is necessary to withhold 16% 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

With the assistance of the plan investment consultant, Aon Hewitt, the Academic Defined Benefit Pension Committee (ADBPC) undertook an extensive review of the investment policy. The purpose of the review was to develop a de-risking strategy that better matches plan assets to future liabilities. An asset liability study was conducted to help set the strategic asset mix for the Plan. It involved the projection of pension plan assets and liabilities using numerous economic and capital market environment scenarios. The review involved a risk diagnosis to determine key risks of the plan, assessment of options for optimizing the current portfolio and determining possible glide paths for de-risking of the plan. A move from the current asset mix to the recommended starting asset mix is now in progress. A glide path has been established that subsequently transitions this starting mix in a step-by-step manner towards increases in the liability matching component (bonds) as plan assets allow.

The following table shows the change in asset mix in order to optimize the current portfolio:

Asset Class	Current Asset Mix	Recommended Starting Asset Mix
Universe Bonds	40%	0%
Long Bonds	0%	30%
Canadian Equities	20%	10%
U.S. Equities	20%	0%
International Equities	20%	0%
Global Equities	0%	20%
Global Low Volatility Equities	0%	20%
Canadian Real Estate	0%	20%

The ADBPC has undertaken investment manager searches in order to implement the change in asset mix. The Statement of Investment Policies and Procedures can be found at: [www.usask.ca/fsd/faculty\\_staff/pension\\_plans/details.php](http://www.usask.ca/fsd/faculty_staff/pension_plans/details.php)

More details will be provided at the Annual General Meeting to be held October 19, 2017, 1:30-2:30 pm, HLTH E1130.

# Academic Defined Benefit Pension Committee

## COMMITTEE MEMBERS

### Faculty Association Appointees:

- E. Cristina Echevarria, Economics
- Pat Krone, Anatomy and Cell Biology
- Gordon Sarty, Psychology

### Observer

Frank Bulk, ASPA

### Recording Secretary

Nimco Moumin, Pensions

### Board of Governor Representatives

- Sandra Baptiste, Financial Services
- Ana Crespo-Martin, Human Resources
- Heather Fortosky, Treasurer and Director, Pensions

## 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.

	Sept. 15, 2016	Nov. 30, 2016	Feb.17, 2017	May 5, 2017	June 5, 2017
	3.0 hours	3.0 hours	3.0 hours	2.0 hours	3.0 hours
	<ul style="list-style-type: none"> <li>■ Statement of Investment Policies and Procedures Review</li> <li>■ Quarterly Investment Performance Review to June 30</li> <li>■ Investment Manager Presentation: BlackRock</li> </ul>	<ul style="list-style-type: none"> <li>■ Asset Mix Comparisons</li> <li>■ Statement of Investment Policies and Procedures Review</li> <li>■ Quarterly Investment Performance Review to Sept. 30</li> <li>■ Investment Manager Presentation: Jarislowsky Fraser</li> </ul>	<ul style="list-style-type: none"> <li>■ ESG Investing Education Session</li> <li>■ Quarterly Investment Performance Review to Dec. 31</li> </ul>	<ul style="list-style-type: none"> <li>■ Manager Search Reports</li> </ul>	<ul style="list-style-type: none"> <li>■ Quarterly Investment Performance Review to Mar. 31</li> <li>■ 2016 Actuarial Valuation Review</li> <li>■ Financial Statements at Dec. 31, 2016 Review</li> <li>■ Annual Newsletter Review</li> </ul>

# 1999 Academic Pension Plan Information

## PLAN DOCUMENTS

Copies of the following documents are on file in 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
- Actuarial Reports
- Auditor's Report
- Committee meeting agendas and minutes

## OTHER AGENTS OF THE PLAN

- Actuary:** Aon Hewitt, Saskatoon
- Investment Consultant:** Aon Hewitt, Vancouver
- Record Keeper:** CIBC Mellon Global Securities



Please contact the Pensions and Treasury 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.



## PENSION ADMINISTRATION AND SUPPORT

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**Web:** [www.usask.ca/fsd/faculty\\_staff/pension\\_plans](http://www.usask.ca/fsd/faculty_staff/pension_plans)