

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, 2014
- \* to review investments and investment performance of the Plan in 2014
- \* to report on the activities of the Academic Defined Benefit Pension Committee (ADBPC)

## **■ ACTUARIAL VALUATION at December 31, 2014**

### **Membership Data**

	<b>2014</b>	<b>2013</b>
<i>Active members</i>	120	149
<i>Other members (inactive, deferred, pending transfers, transfer deficiency holdbacks)</i>	70	63
<i>Average age of membership</i>	58.8 years	59.3 years
<i>Average pensionable service</i>	20.5 years	20.6 years
<i>Average pensionable salary</i>	\$129,383	\$127,302
<i>Expected average remaining service</i>	5.9 years	5.6 years
<i>Pensioners &amp; Beneficiaries</i>	143	123
<i>Average annual pension</i>	\$41,789	\$39,560
<i>Number of temporary pensioners</i>	27	23
<i>Average temporary monthly pension</i>	\$4,945	\$4,210
<i>Average temporary pension total number of payments remaining</i>	28.5 months	32.3 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. The actuarial valuation performed as at December 31, 2014 shows that the Plan, on a going-concern basis, is in a surplus position of \$7.4 million as per the following summary table. Comparative numbers as at December 31, 2013 are also provided.

Effective July 1, 2015, as per Plan Amendment P-15, members eligible for an immediate monthly pension will no longer have the option to transfer their lump sum value from the Plan. The valuation results presented in this report for 2013 and 2014 reflect the change to the financial position of the Plan as a result of this plan amendment.

<b>Going-Concern Financial Position</b>	<b>2014</b>	<b>2013</b>
<b>Assets</b>		
<i>Fund value (net assets available for benefits)</i>	\$ 177,992,000	\$ 169,671,000
<b>Liabilities</b>		
<i>Present value of accrued benefits for active members</i>	\$ 73,472,000	\$ 90,368,000
<i>Pensioners</i>	74,297,000	58,460,000
<i>Temporary pensioners</i>	3,741,000	3,015,000
<i>Other members (inactive, deferred, pending transfers)</i>	5,858,000	6,251,000
<i>Present value of future benefits to be paid in excess of future contributions</i>	3,497,000	3,251,000
<i>Voluntary and transferred contributions</i>	1,651,000	2,025,000
<i>Defined contribution account balances</i>	398,000	449,000
<i>Transfer deficiency holdbacks</i>	7,707,000	4,081,000
<i>Total actuarial liabilities</i>	\$ 170,621,000	\$ 167,900,000
<i>Surplus</i>	\$ 7,371,000	\$ 1,771,000

### **Contribution Requirements**

The actuary has concluded that current contribution rates continue to be less than the benefits currently accruing to members of the Plan. The valuation report at December 31, 2014 revealed a current service cost deficiency of 4.54%, as outlined in the following table. However, surplus assets are sufficient to cover this deficiency; therefore, no additional contributions are required to be made to the Plan.

<b>Contribution Requirements based on actuarial valuation at the prior year end December 31<sup>st</sup></b>	<b>% of Earnings</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
<i>Total going-concern current service cost</i>	21.79%	20.97%	20.90%
<i>Member fixed rate contributions</i>	8.50%	8.50%	8.50%
<i>Employer fixed rate contributions</i>	8.50%	8.50%	8.50%
<i>Additional employer current service contributions</i>			3.90%
<i>Portion of current service contributions covered by going-concern surplus<sup>2</sup></i>	4.79%	3.97%	

<sup>2</sup> Accounted for in the valuation balance sheet above

### **Funding Requirements**

The Plan last filed a valuation report with the regulators at December 31, 2013. The Plan revealed a going-concern surplus of \$1,771,000 and therefore no special payments are required.



**Solvency Position of the Plan (Hypothetical Wind-Up)**

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 actuarial valuation performed as at December 31, 2014 shows that the Plan, on a hypothetical wind-up basis, is in a deficit position of \$38.5 million. The solvency ratio at December 31, 2014 is 82%.

<b>Solvency Financial Position</b>	<b>2014</b>	<b>2013</b>
<i>Solvency assets</i>	\$ 177,992,000	\$ 169,671,000
<i>Solvency liabilities</i>	216,524,000	191,179,000
<b>Surplus (Deficit)</b>	<b>\$ (38,532,000)</b>	<b>\$ (21,508,000)</b>
<i>Solvency ratio(assets/liabilities)</i>	0.82	0.89

**Solvency Deficiency Payments**

As reported in the June 2014 annual report, the 1999 Academic Pension Plan has been classified as a “Specified Plan” under *The Pension Benefits Regulations, 1993*, and as a result, is no longer required to fund solvency deficiencies. In accordance with the regulation change, the Plan is still required to fund going-concern deficiencies, over a period of no more than 10 years (previously 15 years).

**Transfer Deficiency Requirements**

As the Plan has a solvency ratio of 0.89 (determined in the valuation at December 31, 2013), it is necessary to withhold 11% 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 payout (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
- When a plan has a solvency deficiency, legislation requires that a portion of every lump sum (LS) payment be held back  

$$\text{Transfer Deficiency} = \text{Portion of LS held back} \\ = (1 - \text{solvency ratio}) \times \text{total LS entitlement}$$
- Example
  - Date of termination = July 31, 2015
  - Total LS entitlement = \$300,000
  - Solvency ratio = 0.89
  - LS payment on July 31, 2015 =  $0.89 \times \$300,000 = \$267,000$
  - Transfer Deficiency payment on July 31, 2020 =  $(1 - 0.89) \times \$300,000 = \$33,000$  (plus interest)

## ➤ INVESTMENTS of the PENSION PLAN at December 31, 2014

### Market Value of Pension Plan Assets

<i>By Asset Classes</i>	<b>2014 (\$000)</b>	<b>% of Market Value</b>
<i>Canadian Equities</i>	\$ 34,772	19.5
<i>Non-Canadian Equities</i>	68,766	38.7
<b>Total Equities</b>	<b>\$ 103,538</b>	<b>58.2</b>
<i>Bonds</i>	\$ 72,157	40.6
<i>Short term investments</i>	2,157	1.2
<b>Total Fixed Income</b>	<b>\$ 74,314</b>	<b>41.8</b>
<b>Total Market Value</b>	<b>\$ 177,852</b>	<b>100.0</b>

<i>By Investment Manager</i>	<b>2014 (\$000)</b>	<b>% of Market Value</b>
<i>Jarislowsky Fraser Limited</i>	\$ 73,072	41.1
<i>BlackRock Asset Management</i>	94,965	53.4
<i>Tweedy Browne</i>	9,792	5.5

### 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>2014</b>	<b>Last 4 years</b>	<b>Last 10 years</b>
<i>Plan return (gross)</i>	12.5%	10.9%	7.3%
<i>Plan return benchmark (gross)</i>	11.0%	8.9%	6.2%
<i>Consumer Price Index</i>	1.5%	1.5%	1.7%

## ❖ **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  
Laura Kennedy, Office of the VP (Finance & Resources)

**Observer:** Al Rung, ASPA

### **Meetings of the Committee**

The Academic Defined Benefit Pension Committee met 8 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>September 15, 2014</i>	<i>2.0 hours</i>	<i>* Plan Amendment P-15 discussion</i>
<i>September 29, 2014</i>	<i>2.0 hours</i>	<i>*Quarterly Investment Performance Review to June 30<sup>th</sup> *Investment Manager Presentation: Jarislowsky Fraser</i>
<i>November 26, 2014</i>	<i>1.5 hours</i>	<i>*Quarterly Investment Performance Review to Sept 30<sup>th</sup> *Statement of Investment Policies &amp; Procedures Review *Annual General Meeting Review</i>
<i>January 28, 2015</i>	<i>2.0 hours</i>	<i>*Annual Credited Interest Rate Approval</i>
<i>March 20, 2015</i>	<i>1.5 hours</i>	<i>*Quarterly Investment Performance Review to Dec 31<sup>st</sup></i>
<i>April 29, 2015</i>	<i>1.0 hour</i>	<i>*2014 Actuarial Valuation Review</i>
<i>May 22, 2015</i>	<i>1.5 hours</i>	<i>*Quarterly Investment Performance Review to Mar 31<sup>st</sup> *Investment Manager Presentation: BlackRock</i>
<i>June 10, 2015</i>	<i>2.0 hours</i>	<i>*Financial Statements at December 31, 2014 Review *Investment Manager Presentation: Tweedy Browne</i>

## ❏ **RETIREMENT PLANNING SEMINARS – April & May 2015**

The University of Saskatchewan, supported by the Pensions & Treasury Office, offered 7 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. As a result of the overwhelming demand and positive feedback received to date, the sessions will be offered again in 2016.

## ❏ **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.***