

The primary purpose of this report is:

- * to review the actuarial valuation information and contribution requirements of the Non 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 Non-Academic Pension & Benefits Committee (NAPBC)

▣ INVESTMENTS of the PENSION PLAN at December 31, 2016

Market Value of Pension Plan Assets

By Asset Classes	2016 (\$000)	% of Market Value
<i>Canadian Equities</i>	\$ 71,402	20.6
<i>Global Equities</i>	139,847	40.4
Total Equities	\$ 211,249	61.0
<i>Bonds & Mortgages</i>	\$ 107,031	30.9
<i>Real Estate</i>	26,986	7.8
<i>Short term investments</i>	1277	0.4
Total Fixed Income	\$ 135,294	39.0
Total Market Value	\$ 346,543	100.0

By Investment Manager	2016 (\$000)	% of Market Value
<i>Greystone Managed Investments</i>	\$ 26,986	7.8
<i>Burgundy Asset Management</i>	37,197	10.7
<i>Phillips, Hager & North Investment Management</i>	107,031	30.9
<i>Connor, Clark & Lunn Financial</i>	34,886	10.1
<i>Harding Loevner</i>	67,309	19.4
<i>Sprucegrove Investment Management</i>	73,109	21.1

Investment Performance

The long-term investment goal of the Plan is to achieve a minimum annualized rate of return of 4.25% 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 six professional investment fund managers with different mandates to ensure adequate investment diversification.

The Plan's Return Benchmark is a performance standard developed by the Investment Consultant, Aon Hewitt. The Non Academic Pension & Benefits 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.

<i>Investment Performance</i>	<i>2016</i>	<i>Last 4 years</i>	<i>Last 10 years</i>
<i>Plan return (gross)</i>	9.6%	11.1%	5.5%
<i>Plan return benchmark (gross)</i>	6.5%	10.1%	5.3%
<i>Consumer Price Index</i>	1.5%	1.5%	1.6%

ACTUARIAL VALUATION at December 31, 2016

Membership Data

	<i>2016</i>
<i>Active Members</i>	1313
<i>Pensioners & Beneficiaries</i>	890
<i>Other members (deferred, pending transfers, transfer deficiency holdbacks)</i>	227

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, using a 5% margin. Comparative numbers as at December 31, 2015 are also provided.

Going-Concern Financial Position	2016	2015
<i>Actuarial value of assets</i>	\$ 347,003,900	\$ 321,133,600
<i>Actuarial liability</i>	368,130,100	346,508,900
Surplus (Deficit)	\$ (21,126,200)	\$ (25,375,300)
<i>Funded Ratio</i>	0.94	0.93

Contribution and Funding Requirements

The Plan last filed a valuation report with the regulators at December 31, 2014. The actuary has concluded that current contribution rates continue to be less than the benefits currently accruing to members of the Plan. The employees and the University are currently contributing 8.50% of pensionable earnings. In addition, the special payments required by the University to fund the going-concern deficiencies are outlined as follows:

	% of Pensionable Earnings
<i>Going-concern deficit from December 31, 2012 valuation (to December 31, 2022)</i>	4.91%
<i>Future service cost deficiency from December 31, 2014 valuation (annually)</i>	2.24%
<i>Total annual special payments required (% of pensionable earnings)</i>	7.15%
Total annual special payments in 2017	\$4,844,136

Hypothetical Wind-Up (Solvency) 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. Comparative numbers as at December 31, 2015 are also provided.

Hypothetical Wind-Up Financial Position	2016	2015
<i>Actuarial value of assets</i>	\$ 347,003,900	\$ 321,133,600
<i>Actuarial liability</i>	516,233,100	498,121,400
Surplus (Deficit)	\$ (169,729,200)	\$ (177,487,800)
<i>Solvency ratio (assets/liabilities)</i>	67%	64%
<i>Special Payments Required*</i>	---	---

*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 67% (determined in the last filed valuation at December 31, 2014), it is necessary to withhold 33% 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 pension entitlement out of the Plan
- Example
 - Total lump sum pension entitlement = \$300,000
 - Solvency ratio = 67%
 - Lump sum payment available immediately = $67\% \times \$300,000 = \$201,000$
 - Transfer Deficiency Holdback to be paid in 5 years = $33\% \times \$300,000 = \$99,000$ (plus interest)

Summary of Amendment P-65

At its meeting in March 2016, the Non-Academic Pension and Benefits Committee (NAPBC) developed a process by which members with shortened life expectancy (as confirmed by a registered physician) can apply to unlock their pension funds in accordance with the rules set out by the Pension Benefits Act. Amendment P-65 serves to add this shortened life expectancy clause to the plan document.

In addition to the shortened life expectancy clause, Amendment P-65 also serves to clarify provisions for re-employment of pensioners and terminated members. This amendment allows a terminated member who is re-hired within six months in an eligible position to re-join the plan and not serve their waiting period. In the case of pensioners, this amendment brings the current administrative practice into the plan text. As the Income Tax Act prohibits a member in a DB plan to collect a pension and accrue a pension in the same plan at the same time, this amendment is clarifying that if a retired member is re-hired in an eligible position (which would be the same criteria as any new hire), then as soon as they re-join the plan their pension must be suspended during the period in which they contribute again to the plan. This also clarifies that this new pension will be independent of the original pension and will essentially be treated as two different members.

Housekeeping changes were also made to align time frames for pension payouts with the administrative practices of the University.

The NAPBC has reviewed and accepted Amendment P-65 at its September 2016 meeting.

❖ ANNUAL GENERAL MEETING

The Committee arranged for a general meeting on November 10, 2016 that provided members with the opportunity to review and discuss the annual performance of the Plan with our Investment Consultant. The Plan's Actuary was also in attendance to review the actuarial valuation as at December 31, 2015, as well as explain the benefits available under the Plan. This meeting acts as an opportunity for Plan members to ask any questions they have regarding the pension plan.

❖ NON-ACADEMIC PENSION & BENEFIT COMMITTEE (NAPBC)

Committee Members

CUPE Union Local 1975 Appointees:

Michael Brockbank, Library
 Bob Jones, Facilities Management
 Jeff Theis, Facilities Management

Board of Governor Appointees:

Colin Weimer, Human Resources
 Trevor Batters, Director, Financial Operations
 Heather Fortosky, Treasurer and Director, Pensions

Observers: Karen Mosier, ASPA
 Dave Lepard, Retiree

Recording Secretary: Nimco Moumin

Meetings of the Committee

The Non-Academic Pension & Benefits Committee met 5 times during the year. Acting in its capacity as managing fiduciary; the Committee is responsible for the oversight of the Non-Academic Pension Plan operations, including funding, investment, and administration of the Plan. The Committee is also responsible for the review and oversight of CUPE Benefits Funding. The Committee activities over the past year in fulfilling these responsibilities are outlined as follows:

Meeting Date	Time allocated	Purpose
September 14, 2016	3.25 hours	*Quarterly Investment Performance Review to June 30 th *Investment Manager Presentation: Harding Loevner *Investment Manager Presentation: Sprucegrove *LTD Renewal Rate Discussion
November 21, 2016	3.0 hours	*Quarterly Investment Performance Review to Sep 30 th *Investment Manager Presentation: Burgundy *Investment Manager Presentation: Connor, Clark & Lunn
February 17, 2017	3.0 hours	*Investment Manager Presentation: Phillips, Hager & North *Quarterly Investment Performance Review to Dec 31 st
May 25, 2017	1.5 hours	*LTD Renewal Rate Discussion

June 5, 2017	3.0 hours	<ul style="list-style-type: none"> * <i>Financial Statements at December 31, 2016 Review</i> * <i>Quarterly Investment Performance Review to March 31st</i> * <i>LTD rate renewal</i> * <i>Annual Newsletter Review</i> * <i>Investment Manager Presentation: Greystone</i>
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NON-ACADEMIC PENSION PLAN INFORMATION

Plan Documents

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

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 E180, Administration Building, 105 Administration Place
306-966-6633
pensions.inquiries@usask.ca
www.usask.ca/fsd/faculty_staff/pension_plans

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