

# 2019 Annual Report

Pension Plan for the Employees of the  
University of Prince Edward Island



This report covers the period of January 1, 2019 to December 31, 2019.

## A Message From Your Trustees

On behalf of the Board of Trustees of the Pension Plan for the Employees of the University of Prince Edward Island (UPEI Pension Plan), welcome to your Annual Report. This report provides important information on plan funding, performance and governance. It also highlights some key developments with your plan over the course of the previous year.

As you know, in 2017, the UPEI Pension Plan transitioned to a Jointly Sponsored Pension Plan (“JSPP”). This means plan governance is shared between the Employer and CUPE 1870, CUPE 501, IBEW 1928 and the Faculty Association (collectively, the “Unions”).

The UPEI Pension Plan is now governed by a Sponsor Board, which handles plan funding and plan design matters, and administered by a Board of Trustees, which is responsible for day-to-day operations and prudently managing the funds.

The Board of Trustees met seven times in 2019, on the following dates: February 27<sup>th</sup>, March 6<sup>th</sup>, May 22<sup>nd</sup>, June 25<sup>th</sup>, July 30<sup>th</sup>, September 18<sup>th</sup> and November 27<sup>th</sup>. These meetings included regular quarterly meetings, as well as several additional meetings with the Sponsor Board to work through the results of the April 30, 2019 actuarial valuation (the “valuation”) of the plan. Finally, the Trustees, along with the Sponsor Board, participated in a three-day training session, from June 5<sup>th</sup> to 7<sup>th</sup>, to further broaden our knowledge and expertise.

In our August 2019 *UPEI Pension Update*, we reported the results of the April 30, 2019 actuarial valuation. We were very pleased to report that the plan was, and continues to be, in good health.

The Trustees are committed to the success of the UPEI Pension Plan and will continue to monitor the plan to ensure it is operating in the best interest of the members.

Sincerely,

***Board of Trustees of the Pension Plan for the Employees of the  
University of Prince Edward Island***

### Why you should read this report

Your Annual Report provides important information about your plan’s operations and financial health. It’s our priority to ensure you have the information you need to understand how the plan works, its advantages and your role as a member. While your plan is a valuable asset, it’s important to consider the impact of all income sources, not just your pension, when saving and planning for retirement.

This report provides an update on the plan’s financial status as of December 31, 2019 – including information on performance and investment earnings, as well as plan developments and changes over the course of the year. We encourage you to read it carefully and get in touch if you have any questions.

### What’s inside

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<i>Financial Highlights</i>	<b>2</b>	<i>Governance</i>	<b>4</b>
<i>Funding</i>	<b>3</b>	<i>Contact Us</i>	<b>4</b>

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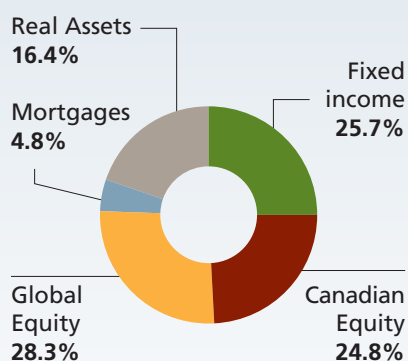
# Financial Highlights

2019 was a successful year for our pension plan's investments, as we bounced back from a challenging 2018 and continued to beat our benchmark returns. The plan's investment portfolio returned 15.80% in 2019, with a net return for the year of 15.11%. The plan's 5-year gross rate of return was 8.32%, compared with the benchmark return of 6.64%.

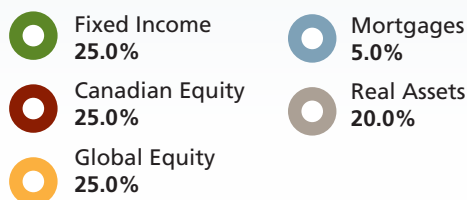
It's important to keep in mind that pension plans are designed to operate for a long time, and longer-term performance is key. While 2018 was a down year and 2019 rebounded, the average return for our plan over the last 10 years was 9.14% (compared with a benchmark of 7.38%). In other words, the plan's performance has exceeded the benchmark by 1.76% per year (on average) over the last 10 years.

## Your plan's asset mix

As of December 31, 2019



### POLICY WEIGHT:



Asset Class	Manager(s)
Fixed Income	TD Asset Management
Canadian Equity	Fidelity / Foyston, Gordon & Payne
Global Equity	Walter Scott
Mortgages	Phillips, Hager & North
Real Assets	Fiera / IFM Investors

## Plan performance & asset mix

Plan assets continue to grow, increasing by more than \$36 million from December 31, 2018 to December 31, 2019 – mainly due to positive investment returns. The table below provides an overview of the plan's 1-year, 4-year and 10-year performance.

Time period	Gross rate of return (as at December 31)
1 year	15.80%
4 years	8.98%
10 years	9.14%

There were no changes to the plan's asset mix, policy or investment managers during 2019. The Trustees periodically review the asset mix, monitor performance and strategically manage the plan's investments. In 2020, the Trustees will begin a formal review of the plan's investment policy, including the asset mix, to ensure it can continue to meet the plan's objectives.

## Membership data

	Actives	Deferred	Retirees	Total
As of December 31, 2018	648	88	413	1,149
Retired	-24	-3	27	0
Move to deferred status	-4	4	0	0
Termination paid	-17	-7	0	-24
Death	-1	0	-9	-10
New survivors	0	0	3	3
New entrants	63	0	0	63
As of December 31, 2019	665	82	434	1,181

## Financial highlights

Market value of assets as of January 1, 2019	\$262,548,595
Employee regular contributions	\$5,110,556
Employer regular contributions	\$5,187,761
Employee past service contributions	\$365,080
Termination/death payouts	- \$1,122,221
Payments to pensioners	- \$12,791,017
Plan expenses <sup>1</sup>	- \$1,758,632
Investment income	\$41,121,277
<b>Market value of assets as of December 31, 2019</b>	<b>\$298,661,400</b>

<sup>1</sup> Expenses relate to investment management, audit, actuarial and administration.

# Funding

This plan's growth and future financial health depends on contributions (from both members and the Employer) and, to a larger extent, on investment returns. In the August 2019 *UPEI Pension Update*, we discussed the contribution rates and the changes that were implemented this past October.

The UPEI Pension Plan has two categories of contributions: regular and special. The plan's combined contribution rates are as follows:

- **Member contributions:** 9.23% of pensionable payroll (8.48% on CPP earnings and 10.28% on non-CPP earnings); and
- **Employer contributions:** 9.35% of pensionable payroll.

The above rates include special contributions from the members and the Employer that were put in place to address the deficit that existed at the time of conversion to a JSPP. These contribution rates are as follows:

- **Special Member contributions:** 0.88% of pensionable payroll (payable until June 30, 2025)
- **Special Employer contributions:** 1.00% of pensionable payroll (payable until September 30, 2031)

Given that investment income finances the majority of pensions paid to members, the level of investment return will largely determine the plan's future financial health. Under the JSPP model, when a surplus or deficit arises, the Trustees will assess the situation and develop recommendations for the Sponsor Board to consider as it determines how to allocate the surplus or address the deficit.

The *Income Tax Act* requires the UPEI Pension Plan to conduct an actuarial valuation at least once every three years. An actuarial valuation is an appraisal of a pension fund's assets versus liabilities, using investment, economic and demographic assumptions to determine the funded status. The funded status reflects the plan's financial health and helps gauge when corrective action is required.

The UPEI Pension Plan relies on a "going-concern" valuation, as we assume the plan will continue to operate indefinitely into the future. Our plan's next formal valuation is scheduled for April 30, 2022. The most recent valuation as at April 30, 2019 showed the plan was 103.8% funded on a going-concern basis.

## Indexing

Indexing refers to the practice of awarding periodic increases to pension benefits to help offset the impact of inflation. The UPEI Pension Plan design provides for indexing. However, to help maintain overall plan sustainability, indexing is contingent on the plan's 4-year average net rate of return exceeding 5.75% (note that this was lowered from 6.00% in the April 30, 2019 actuarial valuation). When awarded, indexing is effective on January 1 each year.

The table below provides a summary of pensioner indexing in recent years:

Effective date	Indexation
January 1, 2020	1.95% <sup>1</sup>
January 1, 2019	0.00%
January 1, 2018	1.45%
January 1, 2017	1.43%
January 1, 2016	1.13%
January 1, 2015	1.91%

<sup>1</sup> The plan's four-year average net rate of return at December 31, 2019 was 8.20%, which exceeded the base rate of 5.75% by more than the 1.95% increase in average CPI from 2018 to 2019. Therefore, monthly pension payments will be increased retroactive to January 1, 2020 at the full 1.95%.



# Governance

One key feature of the JSPP model is shared governance between the Employer and the Unions. Governance responsibilities are split between the Sponsor Board and the Board of Trustees – both of which have equal representation from the Employer and the Unions. Both Boards have an important role to play in managing the plan and ensuring its successful ongoing operation.

## The Sponsor Board is responsible for:

- Setting benefits, contributions and funding policies for the plan;
- Determining the timing of actuarial valuations of the plan; and
- Determining the level of risk appropriate for the plan's asset mix.

## The Board of Trustees is responsible for:

- Member communication (e.g., issuing annual pension statements to active members);
- Administering and investing the plan for the benefit of its members and other beneficiaries; and
- Making decisions about the plan's day-to-day operations, including:
  - Preparation of actuarial valuations and yearly audited financial statements;
  - Ensuring compliance with all applicable laws;
  - Investment of plan assets; and
  - Payment of pension benefits to members.

## Have questions or need more information?

Contact Matthew Tennyson in Human Resources:

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## Final word

This report provides summary information about the University of Prince Edward Island Pension Plan. It is not intended to be comprehensive or to provide advice. If there are any differences between the information provided in this report and the legal documents that govern the plan, the legal documents will apply.

Pension Plan for the Employees of the University of Prince Edward Island –  
Registration N°. 05290635

## Sponsor Board

### EMPLOYER

Alex MacBeath (Co-Chair)  
*Board of Governors*

Eric Mansour  
*Board of Governors Appointee*

Jackie Podger  
*VP Administration & Finance*

Jennifer Mersereau  
*Board of Governors Appointee*

### UNIONS

Jerrad Gilbert (Co-Chair)  
*CUPE 1870*

Larry Hale  
*Faculty Association*

David Csernyik  
*CUPE 501*

Don Large  
*IBEW 1928*

## Trustee Board

### EMPLOYER

Peter Hayes (Co-chair)  
*Board of Governors*

Ed Lawlor  
*Board of Governors*

Charlotte McCardle  
*Director, Strategic Planning*

Andrew Bartlett  
*Board of Governors Appointee*

Kathy MacKenzie  
*Inactive Member Appointee (Retiree)*

### UNIONS

Pat Doyle (Co-Chair)  
*CUPE 1870*

Jason Stevens  
*Faculty Association*

Crystal Squires  
*CUPE 501*

Jonathan Holmes  
*IBEW 1928*

Betty Jeffery  
*Inactive Member Appointee (Retiree)*