

2020 Annual Report

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



UNIVERSITY
of Prince Edward
ISLAND

For the period from January 1, 2020 to December 31, 2020

A Message From Your Trustees

As we look back on 2020, it goes without saying that it was a challenging year for us all – in many different ways.

We're happy to report that despite the turbulence and rebounds of the financial markets in 2020, your UPEI Pension Plan stood strong, and ended the year with a 9.10% return (8.42% net). Over the past 10 years, the Plan has an average 9.11% return.

Your pension plan is in good financial health, and we encourage you to take a few minutes to review this report to learn more about your Jointly Sponsored Pension Plan (JSPP) funding, performance, governance, and any key developments over the past year.

As your Trustees, our responsibilities throughout the year are to ensure successful day-to-day operations, review the asset mix, monitor performance, and strategically manage the plan's investments. This past year, we held regular quarterly meetings on February 26, May 20, September 23, and November 18 (required by the JSPP Trust document). We then held several additional meetings. Some of the key topics discussed:

- **Investment education** – Sessions were held jointly with the Sponsor Board (October 27 and December 18, 2020, and January 13, 14, 26, and 27, 2021).
- **The plan's asset mix or policy** – No changes during 2020.
- **Investment manager change** – Due to ongoing underperformance relative to the Canadian Equity Market, Foyston, Gordon & Payne was replaced with Fiera.
- **Asset mix review** – At the end of 2020, the Trustees and Sponsor Board began a formal review of the plan's asset mix to ensure it continues to meet the plan's objectives. This review is expected to be completed in 2021.

Your pension plan is a valuable asset, and it's our priority to ensure you have the information you need to understand how it works, its advantages and your role as a member. Keep in mind that in addition to your UPEI pension, when you're saving and planning for retirement it's important to consider all income sources as part of your future financial wellbeing.

We are committed to the UPEI Pension Plan and will continue to monitor the plan to ensure it is operating in the best interest of the members – now, and into the future.

We wish you and your family a safe and healthy year ahead. Please get in touch if you have any questions.

Sincerely,

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



In 2020 the plan
achieved a healthy

9.10%

investment return

The UPEI Pension Plan

is governed by a *Sponsor Board*,
which handles plan funding and
plan design matters.

The *Board of Trustees*
works together with the
Sponsor Board.

What's inside

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

Financial Highlights

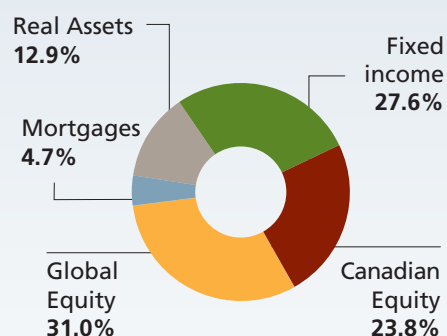
2020 ended up being a successful year for our pension plan – after bouncing back from a very challenging spring caused by the initial reaction and economic uncertainty of the COVID-19 pandemic.

The plan's portfolio returned 9.10% in 2020, with a net return for the year of 8.42%, and the 5-year gross rate of return was 9.00%, compared with the benchmark return of 7.68%.

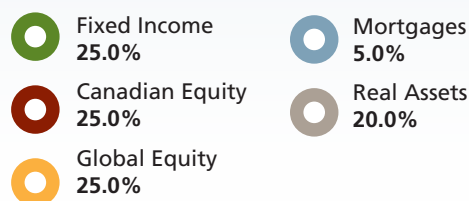
In a pension plan, long-term outlook and performance are always important to keep in mind. The average return for our plan over the last 10 years is 9.11% (compared to a benchmark of 7.31%). In other words, the plan's performance has continued to exceed the benchmark by 1.80% per year (on average) over the last 10 years.

Your plan's asset mix

As of December 31, 2020



POLICY WEIGHT:



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

NOTE: Whenever asset allocations deviate from the policy targets a re-balancing of assets is performed in order to re-align.

Plan performance & asset mix

Plan assets continue to grow, increasing by more than \$21 million from December 31, 2019 to December 31, 2020 – mainly due to positive investment returns.

UPEI Pension plan performance

Time period	Gross rate of return (as at December 31)
1 year	9.10%
4 years	9.17%
10 years	9.11%

Member data

	Actives	Deferred	Retirees	Total
As of December 31, 2019	665	82	434	1,181
Retired	-19	-3	22	0
Moved to deferred status	-9	9	0	0
Termination paid	-12	-8	0	-20
Death	0	0	-19	-19
New survivors	0	0	5	5
New entrants	27	0	0	27
As of December 31, 2020	652	80	442	1,174

Financial highlights

Market value of assets as of January 1, 2020	\$298,661,400
Employee regular contributions	\$5,291,472
Employer regular contributions	\$5,469,722
Employee past service contributions	\$69,617
Termination/death payouts	- \$511,026
Payments to pensioners	- \$13,666,611
Plan expenses ¹	- \$2,012,013
Investment income	\$26,657,274
Market value of assets as of December 31, 2020	\$319,959,834

¹ Expenses relate to investment management, audit, actuarial and administration.

Funding

Our plan's growth and future financial health depends on contributions (from both members and the University) and, to a larger extent, on investment returns. Current contribution rates for the plan are as follows, and include the special contributions that were put in place to address the deficit that existed at the time of the plan's conversion to a JSPP:

Member contributions

- 9.23% of pensionable payroll (8.48% on CPP earnings and 10.28% on non-CPP earnings).
- Includes 0.88% for Special Member contributions payable until June 30, 2025.

Employer contributions

- 9.35% of pensionable payroll.
- Includes 1.00% for Special Employer contributions 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.

Funded status

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. The most recent valuation as at April 30, 2019 showed the plan was 103.8% funded on a going-concern basis. The next formal valuation is scheduled for April 30, 2022.

Indexing

Indexing is the practice of awarding periodic increases to pension benefits to help offset the impact of inflation. The UPEI Pension Plan design includes a provision for indexing. This is a valuable advantage of our plan, as many pension plans do not include indexing.

To help maintain overall plan sustainability, indexing is contingent on the plan's 4-year average net rate of return exceeding 5.75%. When awarded, indexing is effective on January 1 each year.

Here's a summary of pensioner indexing in recent years:

Effective date	Indexation
January 1, 2021	0.72% ¹
January 1, 2020	1.95%
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%

¹ The plan's four-year average net rate of return at December 31, 2020 was 8.47%, which exceeded the base rate of 5.75% by more than the 0.72% increase in average CPI from 2019 to 2020. Therefore, monthly pension payments will be increased retroactive to January 1, 2021 at the full 0.72%.



Governance

One key feature of the JSPP 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 Megan Gee 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.

The University of Prince Edward Island Pension Plan – Registration N°. 05290635

Sponsor Board

EMPLOYER

Alex MacBeath (Co-Chair)
Board of Governors

Eric Mansour
Board of Governors

Jackie Podger
VP Administration & Finance

Jennifer Mersereau
Board of Governors

UNIONS

Jerrad Gilbert (Co-Chair)
CUPE 1870

Larry Hale
Faculty Association

Nathan Rainnie
CUPE 501

Adam Timmons
IBEW 1928

Trustee Board

EMPLOYER

Peter Hayes (Co-chair)
Board of Governors

Stan MacPherson
Board of Governors

Ian Burge
Manager, Procurement Services

Andrew Bartlett
Board of Governors

Kathy MacKenzie
Retiree Appointee

UNIONS

Tyler Dickieson (Co-chair)
CUPE 1870

Jason Stevens
Faculty Association

Crystal Squires
CUPE 501

Jonathan Holmes
IBEW 1928

Betty Jeffery
Retiree Appointee