

2021 Annual Report

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



For the period from January 1, 2021, to December 31, 2021

A message from your Trustees

Your UPEI Pension Plan remains in good health.

Your pension plan will be a valuable part of your retirement income, and it is important that you have the information you need to understand how the plan works, its advantages, and your role as a member. Keep in mind as you are planning for your future financial wellbeing that other income sources should be considered along with your UPEI pension.

We encourage you to take a few minutes to review this report to learn more about your Jointly Sponsored Pension Plan (JSPP) funding, investment performance, governance, and any key developments over the past year.

Asset mix review

During 2021, the Trustees and Sponsor Board completed a formal review of the plan's asset mix to ensure it continues to meet the plan's objectives. As a result, the asset mix will be adjusted over the course of 2022 to better meet the plan's objectives. We will keep you informed about this in future communications.

Environmental, Social and Governance (ESG) Initiative

Also, over the past year, the UPEI Pension Plan Sponsors undertook a comprehensive review of investment beliefs and philosophy for the pension fund portfolio. An ESG policy has been adopted and the Sponsors expect to make significant progress on this important initiative during 2022. Read more on page 2.

The Trustees 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.

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



At the end of 2021, the plan had achieved a very healthy 4-year annualized

9.53%

net investment return

NEW Pension website!

Now you can access your pension booklet and get key information about your pension benefits, plan governance, funding, and performance.

Give it a try at
upei.ca/hr/upei-pension-plan

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Financial Highlights

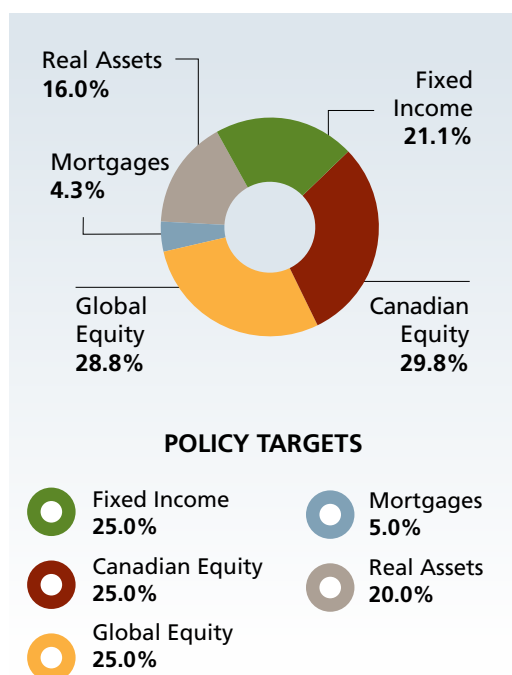
2021 was another successful year for our pension plan. The plan's investment portfolio returned 13.55% for the year after all fees and expenses. The plan's 4-year net investment return was 9.53%.

Plan performance & asset mix

Plan assets continue to grow, increasing by more than \$39 million from January 1, 2021 to December 31, 2021 – mainly due to positive investment returns.

Annualized net returns	
1-year	13.55%
4-year	9.53%
10-year	9.43%

UPEI Pension Plan performance



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 with policy targets.

Environmental, Social and Governance (ESG) Initiative

During 2021, the UPEI Pension Plan Sponsors undertook a comprehensive review of investment beliefs and philosophy for the pension fund portfolio. As part of this review, a key focus was on ESG factors not only from the very important perspective of conservation of the environment and fostering good business practices, but from the equally important perspective that companies acting responsibly in managing ESG matters will continue to generate long-term value for the pension fund to help sustain a healthy plan for all members and beneficiaries.

The Pension Plan Sponsors have adopted an ESG Policy that focuses on monitoring and engaging with investment managers. They are conducting an audit and assessment of the current ESG philosophies/practices of existing investment managers and will formulate an action plan to work towards comprehensive reporting and engagement, as required, to achieve complete alignment with the Plan's ESG Policy. The Plan Sponsors expect to make significant progress on this important initiative during 2022 and incorporate more reporting going forward.

Asset mix

As part of the investment beliefs review (above), over the course of 2021 the Trustees and Sponsor Board also completed a formal review of the plan's asset mix. A decision was made to adjust the asset mix to better meet the plan's objectives, and this will take place during 2022.

Member data

	Actives	Deferred	Retirees	Total
As of December 31, 2020	652	80	442	1,174
Retired	-23	-1	24	0
Moved to deferred status	-12	12	0	0
Termination paid	-9	-8	0	-17
Death	-1	0	-13	-14
New survivors	0	0	7	7
New entrants	64	0	0	64
As of December 31, 2021	671	83	460	1,214

Financial highlights

Market value of assets as of January 1, 2021	\$319,959,834
Employee regular contributions	\$5,448,256
Employer regular contributions	\$5,603,184
Employee past service contributions	\$32,355
Termination/death payouts	- \$768,612
Payments to pensioners	- \$14,154,523
Plan expenses ¹	- \$2,213,124
Investment income	\$45,167,688
Market value of assets as of December 31, 2021	\$359,075,058

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 Employer) 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 of April 30, 2019 showed the plan was 103.8% funded on a going-concern basis. Planning is already underway to complete the next formal valuation, which is scheduled for April 30, 2022.

Indexing

Indexing is a big advantage of your UPEI Pension Plan because it provides periodic increases to your pension benefits to help offset the impact of inflation. This year's increase is particularly high, at 3.4%. Many plans do not include this valuable feature.

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 is a summary of pensioner indexing in recent years:

Effective date	Indexation
January 1, 2022	3.40% ¹
January 1, 2021	0.72%
January 1, 2020	1.95%
January 1, 2019	0.00%
January 1, 2018	1.45%

¹ The plan's four-year average net rate of return at December 31, 2021 was 9.53%, which exceeded the base rate of 5.75% by more than the 3.40% increase in average CPI from 2020 to 2021. Therefore, monthly pension payments will be increased retroactive to January 1, 2022, at the full 3.40%.



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 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 Human Resources:

Email: upeiension@upei.ca

Phone: (902) 566-0517

Fax: (902) 894-2895



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