



# 2022 Annual Report

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



For the period from January 1, 2022, to December 31, 2022

## A message from your Trustees

### Your UPEI Pension Plan remains in good health.

Like many Canadians, you've likely seen the news headlines in 2022 – high interest rates and volatile market returns. While our plan hasn't been immune to these market conditions, it does remain in a healthy financial position. In fact, our most recent actuarial valuation as of April 30, 2022, revealed the plan was more than 100% funded. Our long-term lens and disciplined investment approach enable us to prepare for and withstand times like these.

We encourage you to review this report to learn more about your Jointly Sponsored Pension Plan (JSPP) funding, investment performance, and governance, as well as some key developments over the past year, which are highlighted below.

### Asset mix review

In 2022, the Trustees continued working toward the plan's revised target asset mix by selecting managers to invest the plan's allocations for emerging market equities and non-Canadian real estate. Funding for these allocations is expected to take effect during the first half of 2023, and all other asset classes will be reallocated at the same time.

### Environmental, Social and Governance (ESG) initiative

The Sponsor Board continued its work on the plan's ESG Policy, defining meaningful and measurable metrics that the Trustees can use to monitor the plan's existing and future investment managers. The objective for 2023 is to finalize the reporting framework.

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 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*



The plan was  
**102.7%**  
funded, according to  
our most recent actuarial  
valuation on  
April 30, 2022

[upei.ca/hr/upei-pension-plan](https://upei.ca/hr/upei-pension-plan)

Access your pension booklet, get details about your pension benefits, and learn more about plan governance, funding, and performance.

**Hint:** add this URL to your bookmarks for easy reference!

### What's inside

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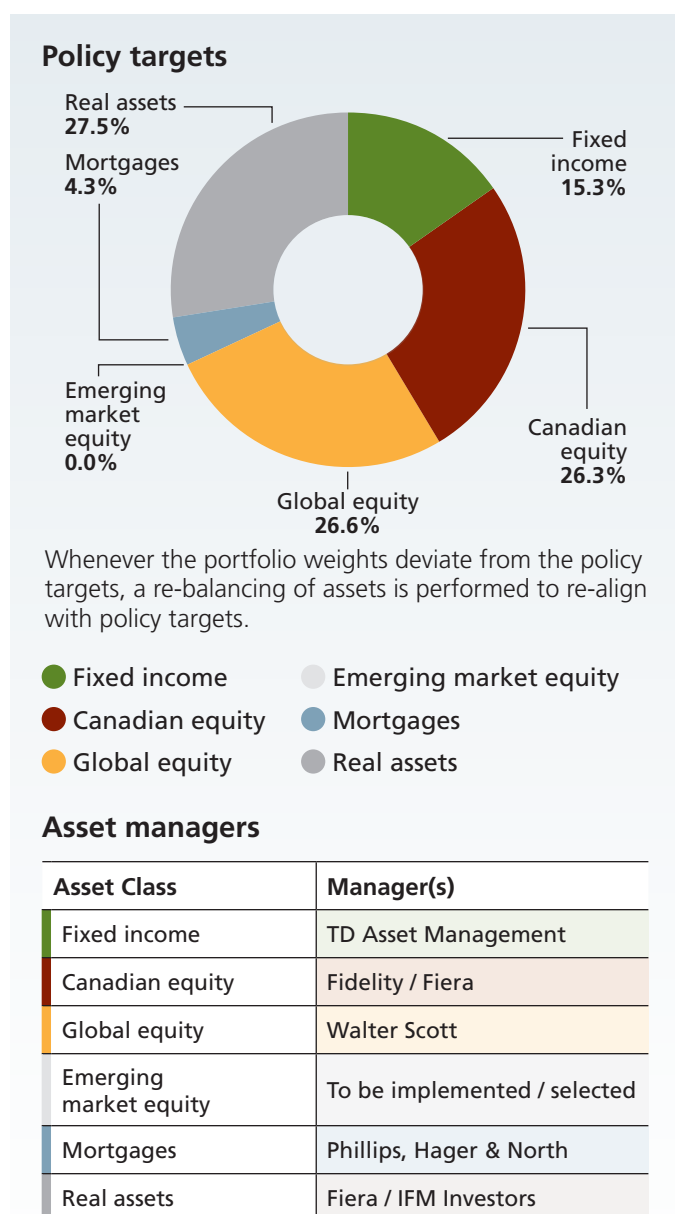
# Financial Highlights

2022 was a challenging year for our pension plan, like many other plans across the country. The plan's investment portfolio returned negative 5.21% for the year after all fees and expenses; however, the 4-year net investment return remains above target at 7.64%.

## How the plan's investments performed

Annualized net returns		
1-year: -5.21%	4-year: 7.64%	10-year: 7.77%

## UPEI Pension Plan performance



## The plan's assets

Market value of assets as of January 1, 2022	\$359,075,058
Employee regular contributions	\$5,758,571
Employer regular contributions	\$5,967,122
Employee past service contributions	\$0
Termination / death payouts	-\$574,709
Payments to pensioners	-\$15,087,741
Plan expenses <sup>1</sup>	-\$2,078,445
Investment income	-\$16,553,944
Market value of assets as of December 31, 2022	\$336,505,912

After December 31, 2022, Emerging Market manager Connor, Clark, and Lunn (CC&L) and the US Real Estate manager Brookfield was hired.

<sup>1</sup> 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 (effective September 30, 2022)

### Member

- **9.68%** of pensionable payroll (8.96% on CPP earnings and 10.76% on non-CPP earnings).
- *Includes* 0.88% for special contributions\* payable until June 30, 2025.

### Employer

- **9.80%** of pensionable payroll.
- *Includes* 1.00% for special contributions\* payable until September 30, 2031.

\* *Special contributions were put in place to address the deficit that existed at the time of the plan's conversion to a JSPP.*

## Monitoring the plan's financial health

Investment income finances most pensions paid to members, which means the level of investment return will largely determine the plan's future financial health. Under the JSPP model, the Trustees will assess the plan funding and recommend actions to the Sponsor Board if a surplus or deficit arises.

## Funded status

The Income Tax Act requires the UPEI Pension Plan to conduct an actuarial valuation at least once every three years. Through this valuation, an actuary will look at how well our plan assets are balancing against our plan liabilities and 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, which assumes the plan will continue to operate indefinitely. The most recent valuation as of April 30, 2022, showed the plan was **102.7%** funded on a going-concern basis. The next formal valuation is scheduled for April 30, 2025.

## Indexing

Indexing is a **big advantage** of the UPEI Pension Plan because it provides periodic increases to your pension benefits to help offset the impact of inflation. This year's increase is **2.03%**. 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 5.50%. When awarded, indexing is effective on January 1 each year.

## Here is a summary of pensioner indexing in recent years:

2023	2022	2021	2020	2019
2.03% <sup>1</sup>	3.40%	0.72%	1.95%	0.00%

<sup>1</sup> The plan's four-year average net rate of return at December 31, 2022 was 7.64%, which exceeded the base rate of 5.50% by 2.03% (i.e.,  $1.0764 / 1.055 - 1$ ). Therefore, monthly pension payments will be increased retroactive to January 1, 2023, at 2.03%.



# Plan Membership

We're pleased to see our membership continuing to grow, with 79 new active members in 2022. We also had 27 new retirees – congratulations and best wishes on this new chapter in your life.

	Actives	Deferred	Retirees	Total
<b>As of December 31, 2021</b>	<b>671</b>	<b>83</b>	<b>460</b>	<b>1,214</b>
Retired	-25	-2	27	0
Moved to deferred status	-13	13	0	0
Termination paid	-5	-9	0	-14
Death	-1	0	-13	-14
New survivors	0	0	4	4
New entrants	79	0	0	79
<b>As of December 31, 2022</b>	<b>706</b>	<b>85</b>	<b>478</b>	<b>1,269</b>

## Governance

Governance responsibilities are split between the Sponsor Board and the Board of Trustees.

The Board of Trustees held 9 meetings in 2022, including regular quarterly touchpoints and meetings on the actuarial valuation and investment manager searches. The Sponsor Board held 4 meetings focused on the actuarial valuation and ESG.

### Sponsor Board

- Sets benefits, contributions, and funding policies
- Determines the timing of actuarial valuations
- Determines the level of risk appropriate for the plan's asset mix

Employer	Unions
Alex MacBeath (Co-chair) Board of Governors	Jerrad Gilbert (Co-chair) CUPE 1870
Jackie Podger VP Administration & Finance	Larry Hale Faculty Association
Jennifer Mersereau Board of Governors	Nathan Rainnie CUPE 501
Vacant – to be filled	Adam Timmons IBEW 1928

### Board of Trustees

- Manages member communication
- Administers the plan
- Manages plan investments
- Makes decisions about the plan's day-to-day operations

Employer	Unions
Peter Hayes (Co-chair) Board of Governors	Tyler Dickieson (Co-chair) CUPE 1870
Marianna Carter Board of Governors	Jason Stevens Faculty Association
Matt O'Neill Board of Governors	Crystal Squires CUPE 501
Andrew Bartlett Board of Governors	Jonathan Holmes IBEW 1928
Kathy MacKenzie Retiree Appointee	Betty Jeffery Retiree Appointee

## Have questions or need more information?

### Contact Human Resources

Email: [upeipension@upe.ca](mailto:upeipension@upe.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 No. 05290635