



# 2023 Annual Report

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



For the period from January 1, 2023, to December 31, 2023

## A message from your Trustees

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

At the beginning of 2023 there were many factors still affecting the markets – high inflation and conflict in Ukraine, Russia, and the Middle East, to name a few. But as the year pressed on, we started to see stocks and bonds rally, and our investment portfolio achieve positive returns. Overall, we’re now in a great place. The plan’s 2023 annual rate of return was 10.81% and our latest valuation revealed the plan is 102.7% funded. We continue to keep a close eye on what’s happening in the world and financial trends while maintaining a long-term focus to ensure secure pension benefits for your future.

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 transition is now complete

In 2023, the Trustees completed the transition to the revised asset mix by funding allocations to emerging market equities and non-Canadian real estate. All of the plan’s investments complied with the investment policy target allocations at the end of 2023.

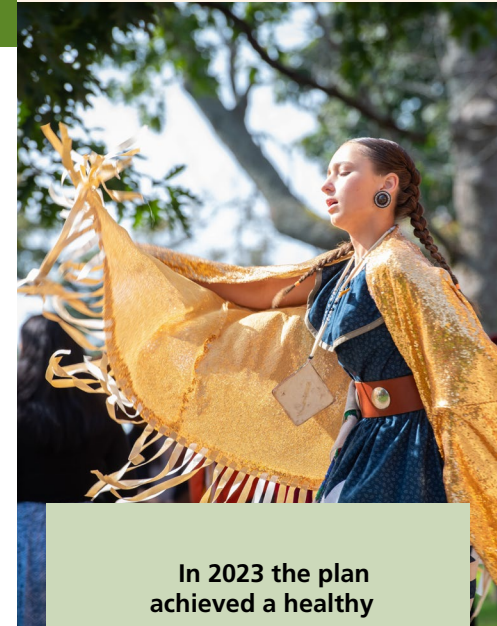
### Environmental, Social and Governance (ESG) initiative

The Sponsor Board finalized the plan’s **ESG Policy** and completed an initial audit of the plan’s investment managers using the **United Nations Principles for Responsible Investment** (UNPRI) 5-star scoring methodology. We are pleased to report that most of the plan’s investment managers received scores of 4 or 5 stars and ranked above the median for their respective peer groups. We will continue to engage with the plan’s investment managers to improve scores on the important issues as outlined in the plan’s ESG Policy.

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 2023 the plan  
achieved a healthy  
**10.81%**  
net investment return

[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

|                             |          |
|-----------------------------|----------|
| <i>Financial Highlights</i> | <b>2</b> |
| <i>Funding</i>              | <b>3</b> |
| <i>Plan Membership</i>      | <b>4</b> |
| <i>Governance</i>           | <b>4</b> |

# Financial Highlights

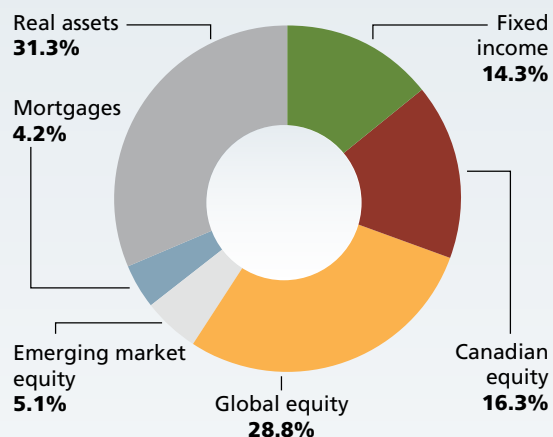
2023 was a successful year for our pension plan, following a challenging 2022. The plan's investment portfolio returned 10.81% for the year after all fees and expenses. The plan's 4-year net investment return was 6.62%.

## How the plan's investments performed

| Annualized net returns |               |                |
|------------------------|---------------|----------------|
| 1-year: 10.81%         | 4-year: 6.62% | 10-year: 7.29% |

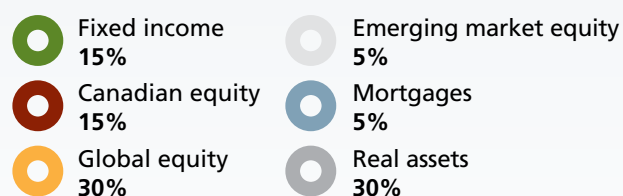
## UPEI Pension Plan performance

### The plan's investment mix



Whenever the portfolio weights deviate from the policy targets, a re-balancing of assets is performed to re-align with policy targets.

### Policy targets



### Asset managers

|                        | Manager(s)                           | UNPRI Rating* |
|------------------------|--------------------------------------|---------------|
| Fixed income           | TD Asset Management                  | 5             |
| Canadian equity        | Fidelity<br>Fiera                    | 4<br>3        |
| Global equity          | Walter Scott                         | 4             |
| Emerging market equity | Conner, Clark & Lunn                 | 4             |
| Mortgages              | Phillips, Hager & North              | 5             |
| Real assets            | Fiera<br>Brookfield<br>IFM Investors | 5<br>5<br>5   |

\*United Nations Principles for Responsible Investment (UNPRI) 2023 rating out of 5 stars.

## The plan's assets

|  |               |
|--|---------------|
| Market value of assets as of January 1, 2023   | \$336,505,912 |
| Employee regular contributions                 | \$6,459,635   |
| Employer regular contributions                 | \$7,119,537   |
| Employee past service contributions            | \$558,998     |
| Termination / death payouts                    | -\$967,017    |
| Payments to pensioners                         | -\$15,869,562 |
| Plan expenses <sup>1</sup>                     | -\$1,869,013  |
| Investment income                              | \$38,092,077  |
| Market value of assets as of December 31, 2023 | \$370,030,567 |

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

<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

### 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 an 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 **1.06%**. 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:**

| 2024               | 2023  | 2022  | 2021  | 2020  |
|--------------------|-------|-------|-------|-------|
| 1.06% <sup>1</sup> | 2.03% | 3.40% | 0.72% | 1.95% |

<sup>1</sup> The plan's four-year average net rate of return at December 31, 2023 was 6.62%, which exceeded the base rate of 5.50%. Therefore, in accordance with section 12.1(e) of the Plan rules, monthly pension payments will be increased retroactive to January 1, 2024, at 1.06% (i.e.,  $1.0662 / 1.055 - 1$ ).



# Plan Membership

We're pleased to see our membership continuing to grow, with **111** new active members in 2023. We also had **33** new retirees – congratulations and best wishes on this new chapter in your life.

|                                | Actives    | Deferred  | Retirees   | Total        |
|--------------------------------|------------|-----------|------------|--------------|
| <b>As of December 31, 2022</b> | <b>706</b> | <b>85</b> | <b>478</b> | <b>1,269</b> |
| Retired                        | -30        | -3        | 33         | 0            |
| Moved to deferred status       | -11        | 11        | 0          | 0            |
| Termination paid               | -12        | -6        | 0          | -18          |
| Death                          | -3         | -1        | -14        | -18          |
| New survivors                  | 0          | 0         | 5          | 5            |
| New entrants                   | 111        | 0         | 0          | 111          |
| <b>As of December 31, 2023</b> | <b>761</b> | <b>86</b> | <b>502</b> | <b>1,349</b> |

## Governance

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

The Board of Trustees held 4 meetings in 2023, including regular touchpoints and a special meeting on governance responsibilities. The Sponsor Board held 4 meetings in 2023 including regular touchpoints and special meetings focused on ESG investing.

### 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)<br>Board of Governors        | Jerrad Gilbert (Co-chair)<br>CUPE 1870 |
| Tara Judson<br>Interim VP Administration<br>& Finance | Larry Hale<br>Faculty Association      |
| Jennifer Mersereau<br>Board of Governors              | Nathan Rainnie<br>CUPE 501             |
| Susan Connolly<br>Interim VP People & Culture         | Adam Timmons<br>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)<br>Board of Governors | Robert Olscamp (Co-chair)<br>CUPE 1870 |
| Marianna Carter<br>Board of Governors        | Yechao Meng<br>Faculty Association     |
| Matt O'Neill<br>Board of Governors           | Enio Rodriguez Camiro<br>CUPE 501      |
| Kathy MacKenzie<br>Board of Governors        | Jonathan Holmes<br>IBEW 1928           |
| Phil Hooper<br>Retiree Appointee             | Betty Jeffery<br>Retiree Appointee     |

## Have questions or need more information?

Contact Human Resources

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Phone: (902) 566-0517

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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 No. 05290635