

UPEI Pension Update

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



As discussed in the 2018 Annual Report, the UPEI Pension Plan transitioned to a Jointly Sponsored Pension Plan (JSPP) effective January 1, 2017, as a result of negotiations in 2016 between the Employer and the Unions (CUPE 1870, CUPE 501, IBEW 1928 and the Faculty Association).

Moving to a JSPP model has served our plan and its members well. The plan is financially healthy, with a funded ratio over 100%, and continues to deliver solid returns for the members. As a JSPP, plan governance is now shared equally between the Employer and the Unions, providing greater transparency for members into the plan’s operations, funding and decision-making.

This newsletter provides an update on plan performance and details on upcoming contribution increases to further strengthen the plan. These changes will be implemented on the October 4, 2019 payroll.

Plan performance update

Over the past couple of years, the plan has benefited from favourable investment returns. The plan’s assets earned an annualized 8.30% rate of return between the last formal actuarial valuation (or test of the plan’s health) on September 30, 2016, and the recent April 30, 2019 actuarial valuation.

As part of ongoing good governance, and requirements of the Canada Revenue Agency, plan valuations are conducted at least every three years. Results of the April 30, 2019 valuation were presented to the Board of Trustees and Sponsor Board on June 25, 2019 and show a marked improvement in the plan’s health (see the summary table below). The next valuation must be completed by no later than April 30, 2022.

Summary of actuarial valuation results

	At September 30, 2016	At April 30, 2019
Actuarial Value of Assets	\$245,159,000	\$288,616,000
Plan Liabilities	\$245,159,000	\$278,168,000
Excess/(Shortfall)	\$0	\$10,448,000
Funded Ratio	100.0%	103.8%

Actuarial value of assets – the money that has been saved in the plan, adjusted to include projected contributions, payables/receivables, as well as an asset smoothing adjustment that smooths out investment market volatility.

Plan liabilities – actuary’s estimate of the funds needed to cover the plan’s current obligations (based on certain assumptions about the future).

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Contribution increases will be implemented on October 4, 2019 payroll

A key aspect of the actuarial valuation is determining whether contributions need to be adjusted to ensure the plan's continued good health. Despite recent improvements, results of the latest valuation show that contributions for both members and the Employer will need to be adjusted slightly.

As of your October 4, 2019 pay, member contributions will increase by 0.26% of pay. You will find an overview of the current and new member contribution rates in the table below:

	Current Member Contribution Rates	New Member Contribution Rates
On earnings up to the YBE (\$3,500 in 2019)	10.02%	10.28%
On earnings between the YBE and the YMPE (\$57,400 in 2019)	8.22%	8.48%
On earnings in excess of the YMPE	10.02%	10.28%

YBE = Year's Basic Exemption
YMPE = Yearly Maximum Pensionable Earnings

The above "New Member Contribution Rates" amount to employee contributions of 9.23% of payroll for the entire group of active contributing members. Employer contributions to the plan are also being increased effective October 4, 2019, to 9.35% of payroll. In total, contributions to the plan amount to 18.58% of payroll.

Why are contributions being increased when recent plan performance has been positive? The short answer is, pension plan funding comes from just two sources:

1. Contributions (from members and the Employer); and
2. Investment income earned by the plan assets.

Prudent pension plan management means maintaining a degree of conservatism in assumptions on future investment returns. Based on the April 30, 2019 valuation, the Sponsor Board (in consultation with the Board of Trustees) determined it would be prudent to lower the plan's expected long-term annual rate of return assumption from 6.00% to 5.75%. This is consistent with the rate of return assumption in comparable Defined Benefit plans. Lowering the expected return means increasing contributions in order to close the funding gap.

The following table shows the expected impact of the increased contributions on your bi-weekly take-home pay:

Annual Earnings	Estimated Decrease in Bi-Weekly Take-Home Pay
\$50,000	\$3.56
\$75,000	\$4.71
\$100,000	\$6.28

Making this change is an important step to ensure the plan's ongoing good health and ability to pay the promised benefits to members in the future.

Understanding plan governance

As a JSPP, the UPEI Pension Plan is managed by two entities: a Sponsor Board, which makes decisions relating to plan design and funding, and a Board of Trustees, which is responsible for the plan's day-to-day operations and ensuring the funds are prudently managed.

Both boards have equal appointments from the Employer and the Unions – and they have all been working together to ensure the plan's successful ongoing operation. An overview of each board, including roles and responsibilities, is provided below:

	Sponsor Board	Board of Trustees
Key Responsibilities	<ul style="list-style-type: none"> • Sets benefits, contributions and funding policies • Determines timing of actuarial valuations of the plan • Determines level of risk appropriate for the plan's asset mix 	<ul style="list-style-type: none"> • Communicates with plan members • Administers and invests plan funds • Makes decisions about the plan's day-to-day operations, including: <ul style="list-style-type: none"> • Preparation of actuarial valuations and yearly audited financial statements • Ensuring compliance with applicable laws • Investment of plan assets • Payment of pension benefits to members
Employer Appointees	<ul style="list-style-type: none"> • Alex MacBeath (Co-Chair) – Board of Governors • Peter Hayes – Board of Governors • Jackie Podger – VP, Administration & Finance • Charlotte McCardle – Manager, Strategic Planning 	<ul style="list-style-type: none"> • Tara Judson (Co-Chair) – Comptroller • Jim Bradley – Board of Governors • Ed Lawlor – Board of Governors • Susan Connolly – Associate VP, Human Resources & Legal • Kathy MacKenzie – Retiree Appointee
Union Appointees	<ul style="list-style-type: none"> • Jerrad Gilbert (Co-Chair) – CUPE 1870 • Larry Hale – Faculty Association • David Csernyik – CUPE 501 • Don Large – IBEW 1928 	<ul style="list-style-type: none"> • Pat Doyle (Co-Chair) – CUPE 1870 • Jason Stevens – Faculty Association • Crystal Squires – CUPE 501 • Jonathan Holmes – IBEW 1928 • Betty Jeffery – Retiree Appointee



Closing message

We have very much enjoyed the meetings and discussions surrounding the first formal actuarial valuation of the pension plan since moving to the JSP structure. We are committed to ongoing monitoring of the plan to ensure it remains financially healthy and is operating in the best interests of the members.

We look forward to continued communication with you. In the meantime, if you have any questions regarding your plan, please feel free to contact the pension office at (902) 566-0517 or upeiension@upei.ca.

Sincerely,

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



Have questions or need more information?

Contact the pension office:

Email: upeiension@upei.ca

Phone: (902) 566-0517

Fax: (902) 894-2895

The Final Word

This report provides information about the Pension Plan for the Employees of the University of Prince Edward Island (Registration No. 0520635) in simple terms. Every effort has been made to provide accurate information, but if there is any discrepancy between the information contained here and the official plan reports and legal documents, the official documents will apply.