



UPEI Pension Update

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

September 2022



UNIVERSITY of Prince Edward ISLAND

As discussed in the 2021 Annual Report, the Trustees and Sponsor Board have been busy working with Eckler Ltd., the plan’s Actuaries, on a formal actuarial valuation of the UPEI Pension Plan as at April 30, 2022. The purpose of the actuarial valuation is to test the Plan’s financial health and determine if a change to contributions is required.

The Jointly Sponsored Pension Plan (JSPP) model continues to serve the plan and its members well. At April 30, 2022, the plan was financially healthy, with a funded ratio over 100%, and continues to deliver solid returns for the members. As a JSPP, plan governance is 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, starting with the September 30, 2022 pay.

Plan performance update

Over the past couple of years, the plan has benefited from favourable investment returns. The plan’s assets earned an annualized 6.72% rate of return (net of expenses) between the last formal actuarial valuation on April 30, 2019, and the recent April 30, 2022 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, 2022 valuation were presented to the Board of Trustees and Sponsor Board on July 14, 2022, and show the plan’s continued good health (see the summary table below). The next valuation must be completed by no later than April 30, 2025.

Summary of actuarial valuation results

	At April 30, 2019	At April 30, 2022
Actuarial Value of Assets	\$288,616,000	\$335,926,000
Plan Liabilities	-\$278,168,000	-\$327,027,000
Excess/(Shortfall)	\$10,448,000	\$8,899,000
Funded Ratio	103.8%	102.7%

What’s inside

- Plan performance update **pg. 1**
- Contribution increases will be implemented on September 30, 2022 payroll **pg. 2**
- Understanding plan governance **pg. 3**
- Closing message **pg. 4**



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).

Contribution increases will be implemented on September 30, 2022 payroll

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

As of your September 30, 2022 pay, member contributions will increase by 0.48% 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 2022)	10.28%	10.76%
On earnings between the YBE and the YMPE (\$64,900 in 2022)	8.48%	8.96%
On earnings in excess of the YMPE	10.28%	10.76%

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

The above *New Member Contribution Rates* amount to employee contributions of 9.68% of payroll for the entire group of active contributing members. Employer contributions to the plan are also being increased effective September 30, 2022, to 9.80% of payroll. In total, contributions to the plan are 19.48% of payroll.

Why are contributions being increased when recent plan performance has been positive? The short answer is that 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, 2022 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 5.75% to 5.50%. This is consistent with the rate of return assumption in comparable defined benefit plans. Lowering the expected rate of return means increasing contributions to close the funding gap.

This table shows the expected decrease in your bi-weekly take-home pay as a result of the contribution increase:

Annual Earnings	Estimated Decrease in Bi-Weekly Take-Home Pay
\$50,000	\$6.57
\$75,000	\$8.70
\$100,000	\$11.59

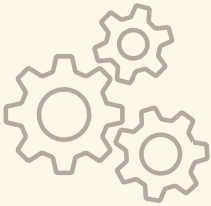


Making this change is an important step to ensure the plan's ongoing good health and ability to pay the promised benefits to members in the future.

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 • Eric Mansour – Board of Governors • Jackie Podger – VP Administration & Finance • Jennifer Mersereau – Board of Governors 	<ul style="list-style-type: none"> • 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
Union Appointees 	<ul style="list-style-type: none"> • Jerrad Gilbert (Co-chair) – CUPE 1870 • Larry Hale – Faculty Association • Nathan Rainnie – CUPE 501 • Adam Timmons – IBEW 1928 	<ul style="list-style-type: none"> • Tyler Dickieson (Co-chair) – CUPE 1870 • Jason Stevens – Faculty Association • Crystal Squires – CUPE 501 • Jonathan Holmes – IBEW 1928 • Betty Jeffery – Retiree Appointee





Closing message from your Trustees

Our most recent meetings related to the plan's second formal actuarial valuation since moving to the JSPP structure have generated valuable insights and robust discussions around the ongoing management of your plan.

As always, safeguarding the plan's financial health remains a top priority – one that will ensure the sustainability of your plan well into the future, no matter the economic conditions. As such, we continue to be focused on our plan monitoring responsibilities, designed to help safeguard your plan's financial health while ensuring the plan operates in the best interests of all members.

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: upeipension@upei.ca | **Phone:** (902) 566-0517

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