Annual Report

2020-21

THE MEMORIAL UNIVERSITY PENSION PLAN

DEPARTMENT OF HUMAN RESOURCES, MEMORIAL UNIVERSITY OF NEWFOUNDLAND

MEMORIAL
UNIVERSITY

Annual Report of The Memorial University Pension Plan

April 1, 2020 to March 31, 2021

Department of Human Resources,
Memorial University of Newfoundland
St. John’s, NL
A1C 5S7

(709) 864-7406
myhr@mun.ca

September 2021

Table of

Contents

Figures and Tables

Chairperson's Message

Honorable Tom Osborne
Minister of Education
West Block, Confederation Building
P.O. Box 8700
St. John's, NL
A1B 4J6

Dear Minister Osborne:

I am pleased to submit the 2020-21 Annual Report of the Memorial University Pension Plan, a Category 3 entity under the **Transparency and Accountability Act**. This report covers the period April 1, 2020 to March 31, 2021.

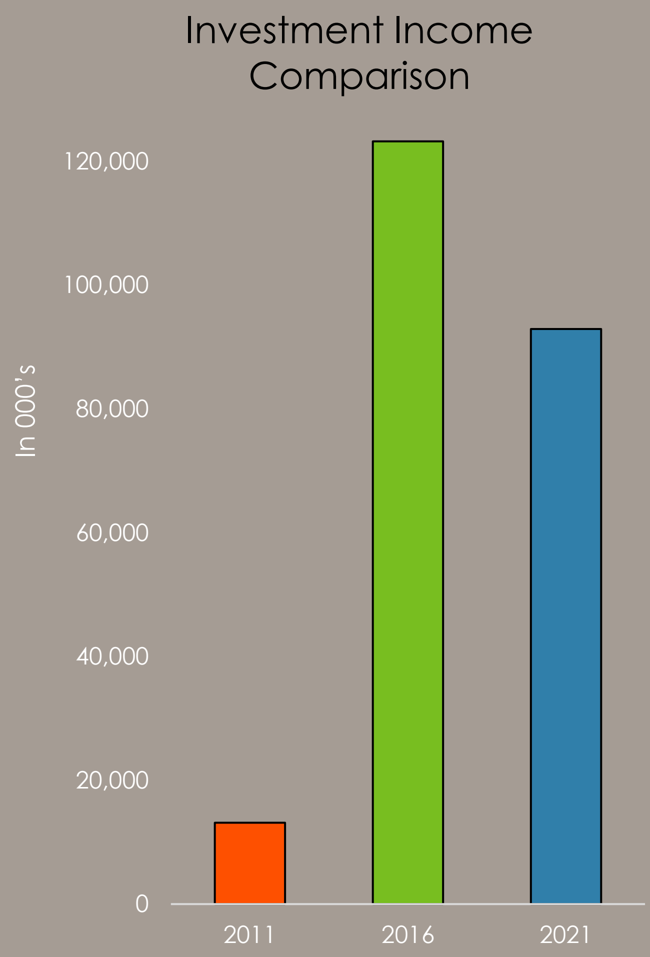
This is the first performance-based report to be presented under the Memorial University Pension Plan's Activity Plan for 2021-2023. This document sets forth in clear language how the University has addressed the objectives that were outlined in the plan.

My signature below is on behalf of the Board of Regents and is indicative of our accountability for the actual results reported.

Respectfully submitted,

Iris Petten
Chair, Board of Regents

Pension Plan Highlights



99.6%

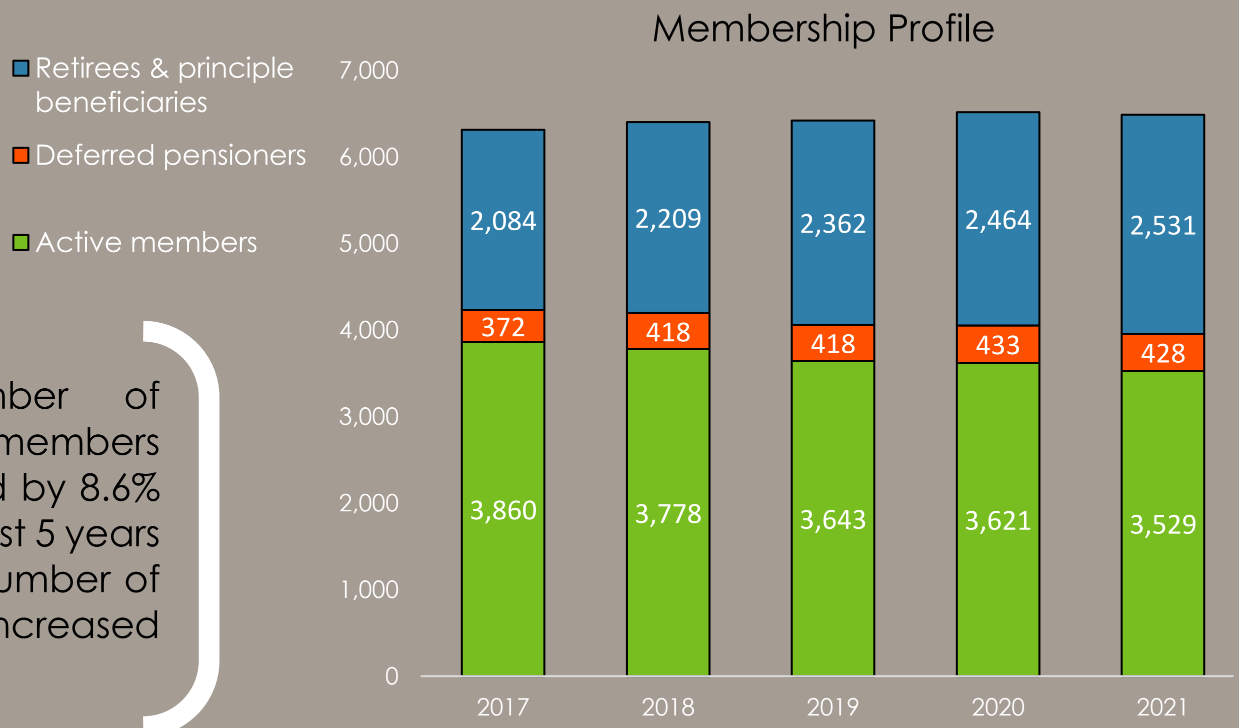
Funded Ratio (market)

23.9%
Annual Rate of Return

Benchmark Return
22.4%

$1.96 Billion

Net Assets Available for Benefits



The number of active members decreased by 8.6% over the last 5 years and the number of retirees increased by 21.4%.

Plan Membership Highlights

1,957

Females
(55.5%)

ACTIVE
MEMBERS

Males (44.5%)

1,572

Active Member to
Retiree Ratio

2012 **2.5 : 1**

2021 **1.4 : 1**

35

Active
employees
over age 71
receiving a
pension

	March 31				
	2021	**2020**	**2019**	**2018**	**2017**
Active Members	3,529	3,621	3,643	3,778	3,860
Average Age of Active Members	47.8	47.5	47.3	47.2	46.8
Retirees (incl. Prin. Ben.)	2,531	2,464	2,362	2,209	2,084
Deferred Pensioners	428	433	418	418	372
Average Age at Retirement	61.12	61.24	61.33	61.30	61.23

Age Distribution - Active Members
2021 vs. 2012

Pension Plan Overview

The three-year Activity Plan prepared for the Memorial University Pension Plan (the "Plan") set out the Plan's objectives for the period April 1, 2020 to March 31, 2023. This Annual Report discusses the outcome of those objectives for the period April 1, 2020 to March 31, 2021 and provides additional information on the operation of the Plan for the year then ended. The Board of Regents, as trustee of the Fund, is responsible to ensure compliance with the **Memorial University Pensions Act** and operates under its own vision, mission, and mandate. Refer to the Activity Plan for more information on the Plan's mandate:
http://www.mun.ca/hr/services/benefits/PensionPlanActivityPlan2020-2023.pdf

About the Plan

The Memorial University Pension Plan is one of the largest public sector pension plans in the Province and provides a lifetime defined benefit pension upon retirement. The Plan is funded through contributions made by employees and Memorial, as well as income from its investments. The majority of employees at the University's main campuses are participants in the Plan (i.e. Grenfell Campus, Signal Hill Campus, Marine Institute, Labrador Institute, and the St. John's Campus).

Pension Plan Design

The Plan is a contributory defined benefit pension plan, established in 1950 under statute of the provincial legislature. It is designed to provide retirement benefits to full-time permanent employees and qualifying contractual employees of the University. In addition, employees of certain separately incorporated entities of the University and affiliated employers are eligible to participate in the Plan. Benefits, which are integrated with the Canada Pension Plan, are based upon employees' years of pensionable service, best five-year average pensionable salary, and a two per cent accrual factor.

PENSION FORMULA:

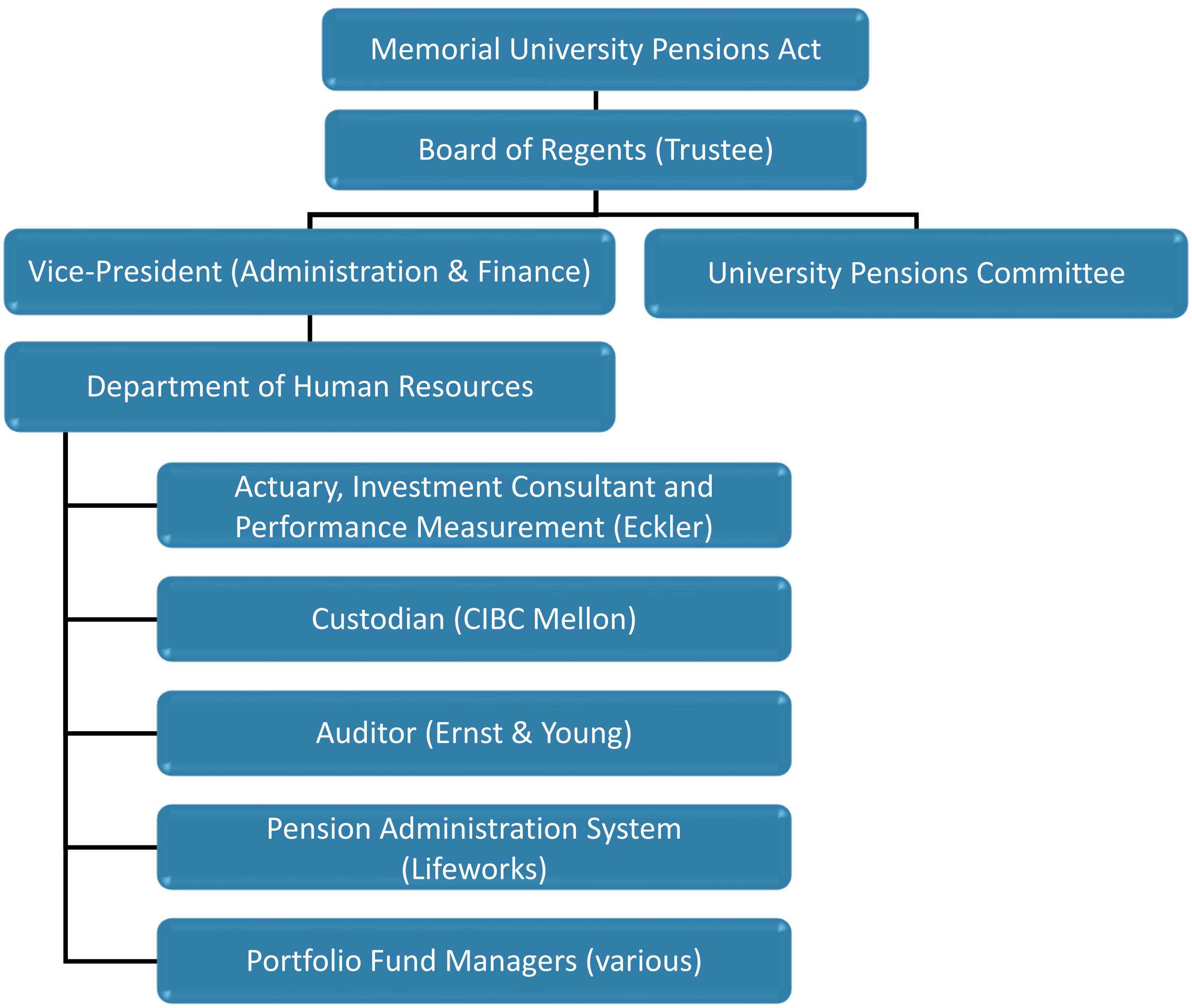
2% x best 5-year average salary x years of pensionable service (inclusive of a "bridge benefit" to age 65)

Authority and Administration

The Plan operates under authority of the **Memorial University Pensions Act**, which prescribes the Board of Regents of the University as trustee. To assist with its responsibilities as trustee, the Board has established a University Pensions Committee to provide advice on matters relating to the Plan. This advisory committee, which has representation from across the entire University community, operates under terms of reference set out by the Board. The actual administration of the Plan is carried out by the University's Department of Human Resources.

The administrative and governance structure of the Plan is outlined below:

Figure 1: Organization Chart

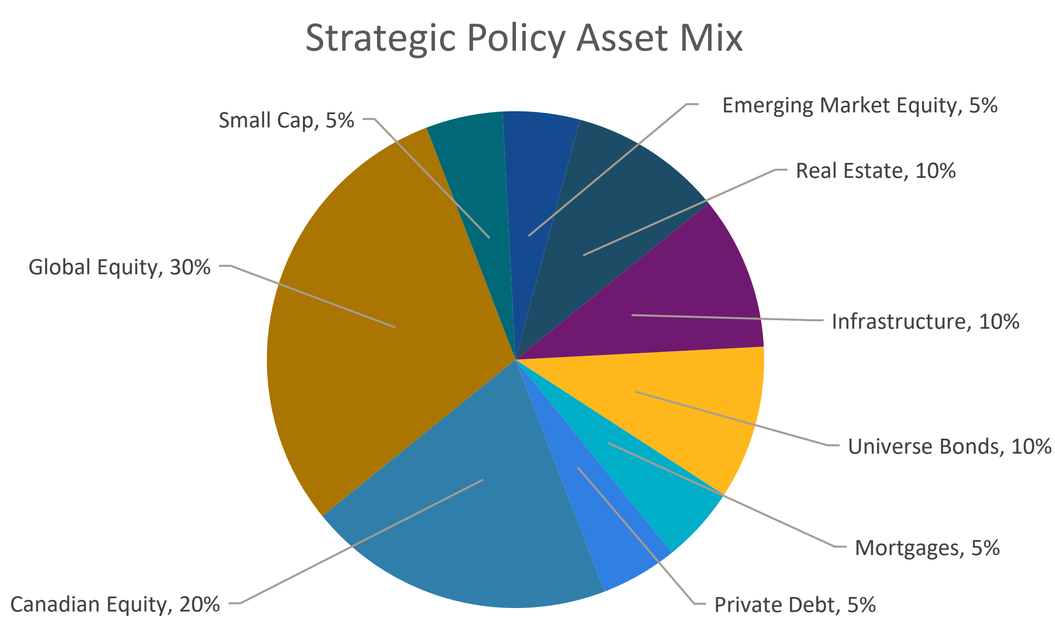


Investments

All employee and University contributions are paid into the Memorial University Pension Fund (the Fund) for investment by external investment managers. The Statement of Investment Policy and Objectives that has been developed to guide the investment of the Fund, sets out a policy asset mix with the objective of maintaining predictable and stable benefit costs and contributions within a reasonable and acceptable level of risk.

During the year the Board approved a revised strategic asset mix for the Fund that would improve upon its level of diversification and its long term expected return. The new asset allocation model will reduce the Plan's exposure to universe bonds and add two new "real" asset classes to the mix, private debt at a five percent allocation and infrastructure at ten percent. In addition, emerging market and small cap equity have now become separately identified mandates at five percent each. Previously these were incorporated into the Fund on an opportunistic basis through the Canadian and international equity portfolios.

Figure 2: New Policy Asset Mix



Strategic Policy Asset Mix

The process of transitioning the Fund to the strategic policy asset mix will begin during fiscal year 2021/22. It will take time to fully complete the transition to the new asset mix. Capital committed to private market debt and infrastructure, for example, typically requires a longer time horizon to fully invest as time is needed to source and fund suitable investment opportunities. Other assets will be transitioned by using a combination of reallocation amongst existing mandates and the hiring of additional investment managers.

Table 1: Policy Asset Mix Transition

	Strategic Asset Mix	
	Former	New
Cash	3%	-
Universe Bonds	25%	10%
Mortgages	8%	5%
Private Debt	-	5%
Canadian Equity	25%	20%
US Equity	21%	-
International Equity	10%	-
Global Equity	-	30%
Small Cap Equity	-	5%
Emerging Market Equity	-	5%
Real Estate	8%	10%
Infrastructure	-	10%
Total	100%	100%

The former asset mix that was in place for the investment of the Fund for the majority of the year and associated benchmarks are set out below:

Table 2: Former Policy Asset Mix and Benchmarks

Asset Class	Percentage Allocation	Benchmark Index
Canadian Equity	25%	S&P/TSX
U.S. Equity	21%	S&P 500
International Equity	10%	MSCI ACWI ex-US
Canadian Fixed Income	25%	FTSE TMX Universe
Cash/Short Term	3%*	n/a
Real Estate	8%	CPI + 4%
Mortgages	8%	60% TMX short + 40% TMX mid + 0.5%

* Cash is not an active mandate and amounts vary depending on investment trading activity. For monthly re-balancing purposes, cash has been included with active fixed income.

As the new strategic asset mix is implemented, mandate benchmarks will be updated according to the nature of the underlying investments.

Investing Locally

In its real estate portfolio the pension plan has invested in local commercial real estate:

Office: 351 Water Street, Scotia Place and O'Leary Business Park
Industrial: Beclin Business Park

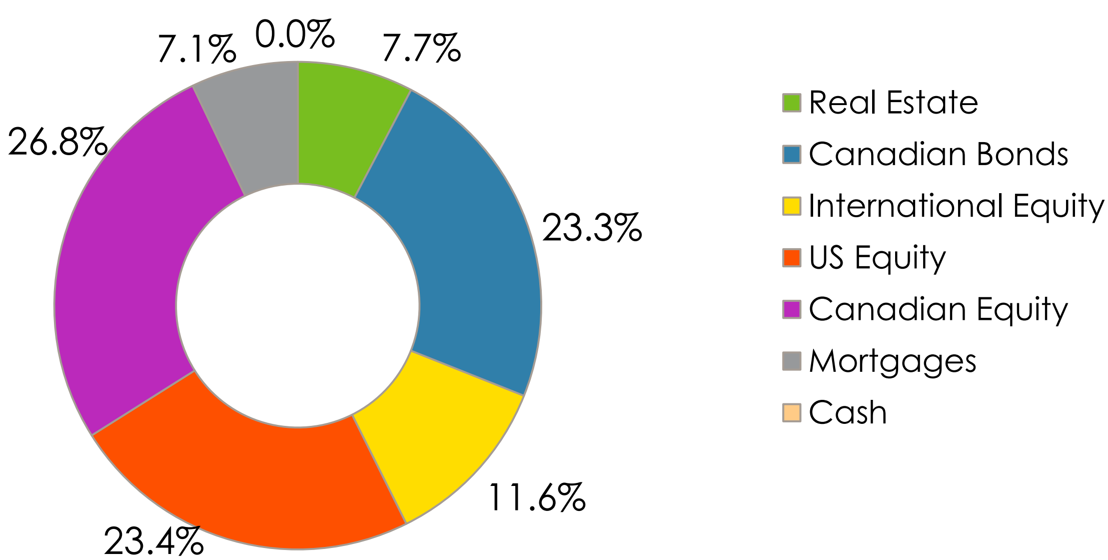
For the year ended March 31, 2021, the Fund was invested by external institutional investment management firms according to the former asset mix. Their mandates and fund allocations are detailed in the table below:

Table 3: Asset Allocation

Manager	Mandate	Benchmark Allocation	Actual Allocation March 31, 2021
Jarislowsky Fraser	Canadian Equity	12.5%	13.2%
Connor Clark & Lunn	Canadian Equity	6.25%	6.6%
Fidelity Investments Canada	Canadian Equity	6.25%	7.0%
TD Greystone	Canadian Fixed Income	7.75%	6.2%
Jarislowsky Fraser	Canadian Fixed Income	7.75%	6.2%
CIBC Global Asset Management	Indexed Bonds	12.5%	10.9%
Alliance Bernstein	US Equity	21.0%	23.4%
Fiera Capital	International Equity	3.75%	4.4%
Wellington Management	International Equity	3.75%	4.1%
Baillie Gifford	International Equity	2.5%	3.1%
Fiera Real Estate	Real Estate	3.2%	2.8%
TD Greystone	Real Estate	4.8%	4.9%
TD Greystone	Mortgage	8.0%	7.1%
Operating Account	Cash	Nil	Nil

The relative distribution of assets across the entire Fund, as at March 31, 2021, is illustrated in the following chart:

Figure 3: Distribution of Assets

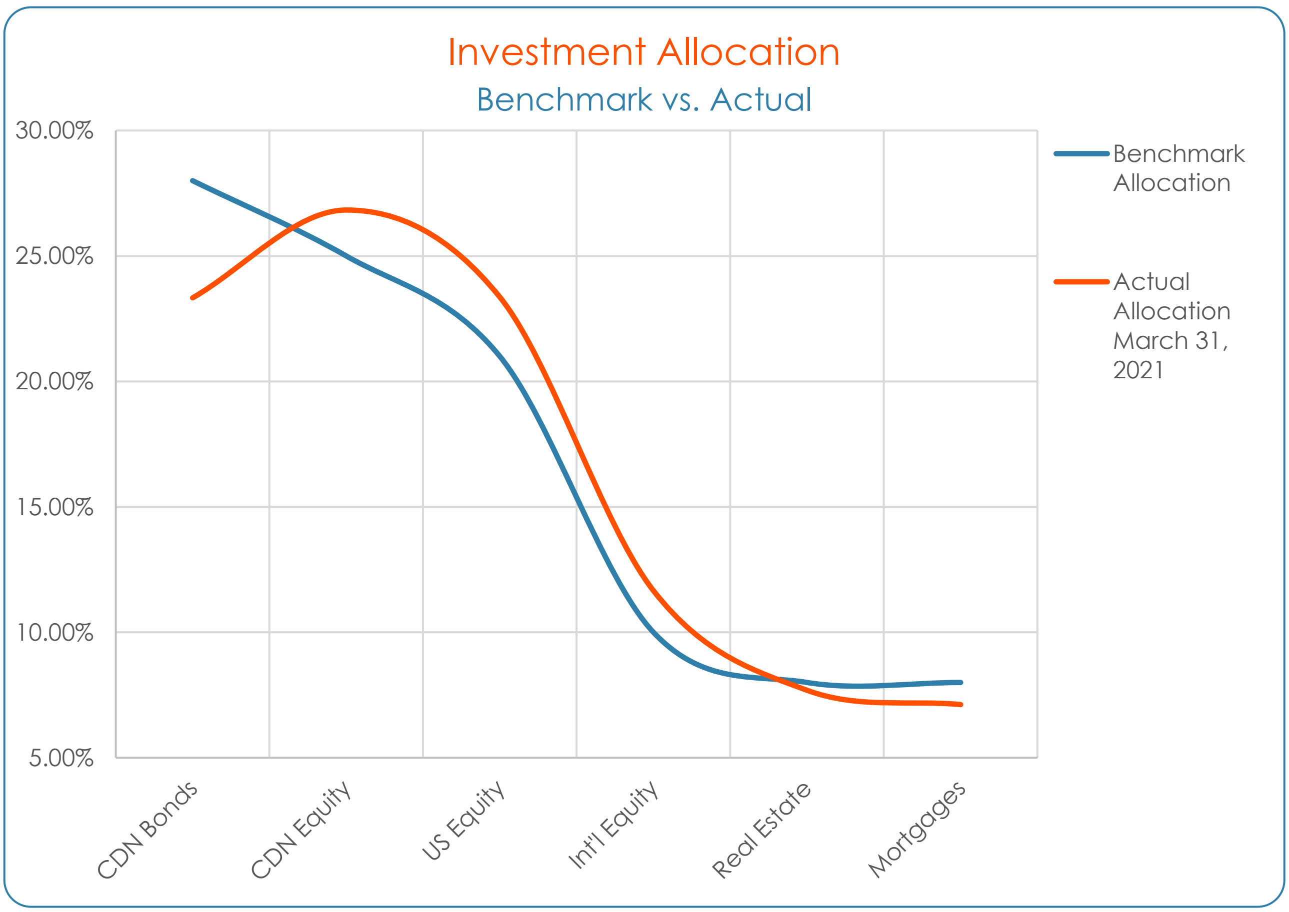


Rebalancing of Assets

The actual distribution of assets will vary from the policy asset mix over time due to the impact of market forces. Once an asset class moves outside a pre-determined range, a re-balancing will be performed by the University to move funds to or from that asset class to bring it back in line with investment policy limits. While the Fund is in the process of transitioning to the new strategic asset mix re-balancing activities will be limited until such time as the asset mix is fully implemented.

Figure 4: Investment Allocation

Canadian, US and international equity were overweight at the end of the fiscal year, while the fixed income and real estate mandates were underweight. All mandates were within their rebalancing limits.



Investment Performance

After an historic market contraction in the spring of 2020, markets began their recovery in the first quarter as global economies started to re-open and investor confidence returned. This continued through the Fund's second quarter though on a more contracted basis as uncertainty reigned over a resurgence of COVID-19 cases and related lockdowns in many countries. With the announcement in quarter three of viable vaccines and the outcome of the US presidential election, markets continued their upward movement although concerns remained over the second wave of COVID-19. The final quarter saw the roll-out of numerous vaccines in many countries and this, coupled with strong multi-country accommodative monetary policy, meant that equity markets continued to perform well. Fixed income markets, however, experienced negative returns as bond yields rose on expectations of higher inflation.

	Fund Value ($ Millions)	Quarterly Return (%)
June 30, 2020	1,777.4	10.2
September 30, 2020	1,836.5	3.9
December 31, 2020	1,936.9	6.1
March 31, 2021	1,961.5	2.0

The Fund had strong absolute and relative performance for the year and ended with an annual return of 23.9 per cent. By comparison, the Plan's long term hurdle rate, known as the discount rate, is 5.6 per cent. The return was 1.55 percentage points higher than the Plan's benchmark and ranked in the 53rd percentile in a universe of comparator funds. A first percentile ranking represents the top performer in the universe whereas the 100th percentile represents the worst.

Annual Return:

March 31, 2021 …… 23.93%
March 31, 2020 …… -0.65%

Over the longer term the Fund continues to perform well relative to its benchmark and comparator universe. The five year annualized return of 9.56 per cent surpassed the benchmark by 1.23 percentage points. On a ten year basis the Fund has generated an annualized return of 9.29 per cent, an excess of 1.54 percentage points over its benchmark and ranking it in the third percentile.

The performance of the Fund has exceeded the benchmark in each of the last ten years and has ranked above the median balanced fund in nine of those years. Selected performance metrics are as follows:

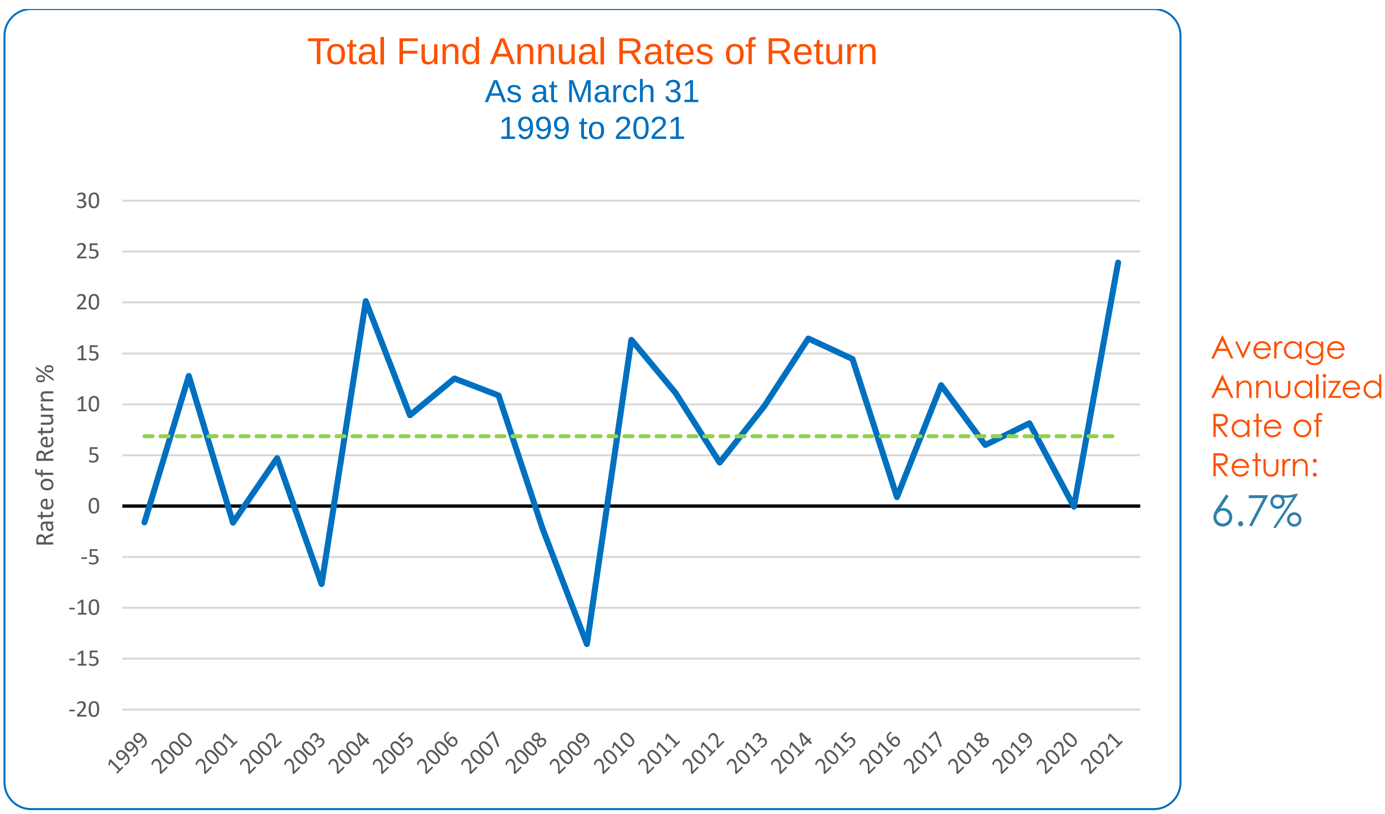
Table 4: Investment Performance (March 31)

	1 year	4 years	5 years	10 years
Annualized Return	23.93%	8.99%	9.56%	9.29%
Benchmark Return*	22.38%	7.58%	8.33%	7.75%
Value Added	**1.55%**	**1.41%**	**1.23%**	**1.54%**
Percentile Ranking	53	4	2	3

* The benchmark is the expected return of the Fund based upon a passive investment in the indices underlying the policy asset mix.

Figure 5: Rate of Return

Annual fund returns over the period 1999 to 2021 are presented in the chart below.



Note: For presentation purposes, long term returns are available from 1999 onwards. Past returns should not be viewed as an indicator of future Fund performance.

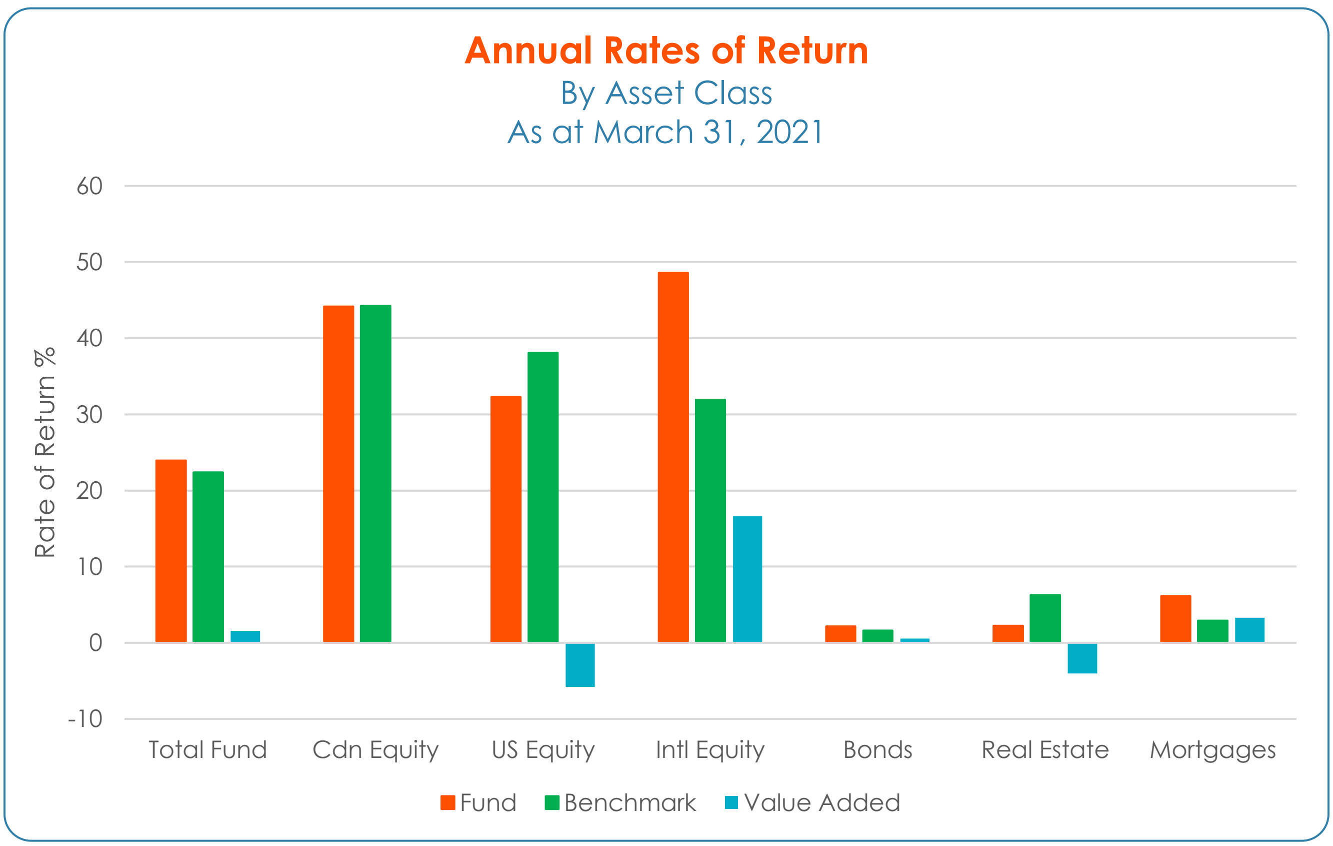
Mandate Performance

60% of the Fund's mandates outperformed their respective benchmarks over 12 months ending March 31, 2021.

80% of the Fund's mandates with 4 year performance track records outperformed their respective benchmarks over 4 years ending March 31. 2021.

Figure 6: Asset Class Rate of Return

Annual returns by asset class for the one year period ended March 31, 2021 are shown below:



Actuarial Valuation

An actuarial valuation of the Plan was performed as at December 31, 2020 and the results have been extrapolated to March 31, 2021 for reporting purposes. Annual valuations have been performed since 2006 as required by the provincial Office of the Superintendent of Pensions as a condition of granting a solvency funding exemption under the **Pension Benefits Act Regulations.** The current exemption is in effect until March 31, 2021. NOTE: exemption requested but not yet received at time of tabling.

In addition to reporting on the solvency position of the Pension Plan, an actuarial valuation is performed to determine the ability of the Pension Plan to meet its obligations or "pension promises" on a going-concern basis. It is also used to project the cost of benefits that will accrue to active plan members in the years following the valuation. The results of the extrapolation to March 31, 2021 and the December 31, 2020 valuation are highlighted in the following table together with comparative figures for an extrapolation of the Pension Plan's financial position to March 31, 2020:

Table 5: Actuarial Results

Actuarial Balance Sheet						
	March 31, 2021 ($ Millions)		December 31, 2020 ($ Millions)		March 31, 2020 ($ Millions)	
	Going Concern	Solvency	Going Concern[1]	Solvency[2]	Going Concern	Solvency
Actuarial Value of Assets	1,806.2	See Note 3) below	1,814.7	2,103.6	1,680.2	See Note 3) below
Actuarial Liabilities	1,965.6		1,950.6	2,555.0	1,918.7	
Unfunded Liability	(159.4)		(135.9)	(451.4)	(238.5)	

Notes:

1) The going concern unfunded liability, as at December 31, 2020, includes approximately $68.4 million related to the introduction of indexing in July 2004. A financing plan is in place to amortize this portion of the unfunded liability over a remaining period of 23.5 years from December 31, 2020.
2) Solvency assets at December 31, 2020 include the present value of five years' worth of going concern special payments ($174.5 million).
3) An extrapolation of the solvency position was not performed as at March 31, 2021 or March 31, 2020.
4) The actuarial value of assets includes a fair value adjustment to "smooth" market effects over a three-year period.

Funding

The Pension Plan is being funded in accordance with the December 31, 2018 actuarial valuation, which disclosed a going-concern deficiency of $239.1 million. Of this amount, approximately $73.9 million was in respect of past service costs associated with the introduction of indexing in 2004. By special provision of the **Pension Benefits Act, 1997** (PBA), the University and employees are financing the indexing liability over a remaining period of 25.5 years from December 31, 2018 through contributions equivalent to 1.2 per cent of pensionable payroll (shared equally by the University and employees). The balance, namely $165.2 million, must be liquidated by the University through special payments of 10.7 per cent of pensionable payroll over a period of 15 years. For the fiscal years 2015-16 through 2020-21, the University was given regulatory approval to defer the required going concern special payments. NOTE: exemption requested for 2020-21 but not yet received at time of tabling.

The Plan's unfunded liability is addressed as Issue Two in the Report on Performance section of this Activity Report and the status of joint sponsorship negotiations is outlined in Issue Three.

Current Service Cost

Current service cost is the basis upon which the Plan's contribution rate for both employees and the University is determined. The December 31, 2018 actuarial valuation revealed that current service cost had increased by 0.8 percentage points over levels identified in the previous funding valuation, at December 31, 2015. Current service cost is shared equally between employees and the University and on January 1, 2020 the rate paid by each was increased by 0.4 percentage points. The Plan's contribution rate is shown below:

Table 6: Contribution Rate

Rate Structure	Former Contribution Rate	Current Contribution Rate
Earnings up to Year's Basic Exemption under Canada Pension Plan	11.4%	11.8%
Earnings between Year's Basic Exemption under Canada Pension Plan and the Year's Maximum Pensionable Earnings under Canada Pension Plan	9.6%	10.0%
Earnings above Year's Maximum Pensionable Earnings under Canada Pension Plan	11.4%	11.8%

Report On

Performance 2020-21

Three primary issues and related goals and objectives as identified in the 2020-2023 Activity Plan.

Responsible stewardship in the collection, investment and disbursement of the Fund

The Board of Regents, as trustee of the Fund, is responsible to ensure that funding objectives for the Plan are met and that contributions are invested in a prudent and timely manner. The funding objectives include an actuarially sound contribution rate, an appropriate investment strategy and a special payment stream to liquidate unfunded liabilities. The special payment stream is addressed in Issue Two. The Board must further ensure that the Plan is administered in accordance with the **Memorial University Pensions Act** and other governing legislation.

Over the past year of the Plan, the Board of Regents ensured that the funding objectives of the Plan were met and that current contributions were invested in a timely and prudent manner in accordance with all governing legislation. In doing so, they successfully achieved their objective as outlined in the 2020-2023 Activity Plan. During the period April 1, 2020 to March 31, 2021 a total of $65.5 million in contributions from the University and its employees were paid into the pension fund for investment while the plan paid out a total of $91.6 million in benefits to eligible retired employees and their beneficiaries. Over that same period, $7.4 million in administrative expenses were paid in addition to $8.7 million in termination benefits. The following details the Plan's successful achievement of the indicators, and therefore the objective presented in the activity plan for the 2020-21 fiscal year.

Objective

By March 31, 2021, 2022 and 2023 the Memorial University Pension Plan will have met its funding objectives, including the awarding of monies to eligible retired members or their principal beneficiaries[1] and the payment of associated administrative expenses.

Indicators:

- <u>Collected and invested contributions</u>
  During the 2020-21 fiscal year, the Plan collected a total of $65,532,000 in contributions, representing amounts paid by the University and its employees and funds transferred from other employers' plans. All contributions are paid into the Pension Fund for investment by external investment managers. Summary information on the Plan's investment structure and performance has been included in this Report under the "Investments" section.

- <u>Eligible retired members/principal beneficiaries are receiving pension benefits</u>
  The Plan paid a total of $91,578,000 in benefits to eligible retired employees or their beneficiaries in 2020-21.

- Paid associated administrative expenses
  During 2020-21, the Plan paid a total in $7,406,000 in administrative expenses and $8,660,000 in termination benefits.

[1]The University has replaced the term "survivor" with "principal beneficiary" in Plan documentation and communications.

Funding Policy for the Unfunded Liability

As the employer, Memorial University must comply with the pension plan funding requirements of the **Pension Benefits Act, 1997** (PBA). When the Plan experiences funding deficiencies, as measured by periodic actuarial valuations, the University must make additional special payments into the Plan. The PBA requires that going concern deficiencies be amortized over a period not greater than 15 years, while solvency deficiencies must be paid over not more than 5 years.

The University was exempt from the requirement to fund solvency deficiencies to March 31, 2021. Awaiting extension of solvency funding exemption to March 31, 2021. In addition, through special provision under the PBA, the past service costs associated with the introduction of indexing in 2004 are being amortized over a remaining period of 23.25 years from March 31, 2021.

With respect to going concern funding, the University was given regulatory approval to defer the required special payments for 2015-16 through 2020-21. Awaiting extension of funding exemption to March 31, 2021. The deferrals were granted while the University and its employee groups continued to work toward reaching agreement on joint sponsorship of the Plan.

By the end of the 2018-19 fiscal year, a preliminary framework for joint sponsorship-was developed by the University and its unionized employee groups represented by the Canadian Union of Public Employees, local 1615 (CUPE), the Newfoundland Association of Public and Private Employees (NAPE) and the Memorial University of Newfoundland Faculty Association (MUNFA). This framework included a funding policy that ensured the Plan's ongoing viability as well as measures to address the existing going concern unfunded liability. Following consultation with the Provincial Government, University stakeholders re-visited the proposed terms of pension reform and an updated proposal was provided to Government during the year. Due to the impact that the COVID-19 pandemic had on the normal operations of both the University and Government, further deliberations on a framework for pension reform were deferred for 2020-21.

An actuarial valuation of the Plan was performed as at December 31, 2020. The valuation revealed a going concern unfunded liability of $135.9 million and this includes approximately $68.4 million in respect of indexing introduced in 2004. Under the PBA the balance of $67.5 million must be amortized over a 15-year period with special annual payments of 11.4 per cent of pensionable payroll.

Objective

By March 31, 2021, 2022 and 2023, Memorial University will have utilized a funding policy to guide the long term sustainability of the Pension Plan and to address the unfunded liability.

Indicator: Employed a funding policy to guide the sustainability of the Pension Plan and address the unfunded liability.

The University and its major unionized employee groups (CUPE, NAPE and MUNFA) reached preliminary agreement on a framework for reform of the Plan in the 2018-19 fiscal year. The draft framework included key elements of a proposed funding policy that dealt with the Plan's existing unfunded liability and provided guidelines for future funding, including rules governing the disposition of emerging deficits and sharing of future surpluses. An updated proposal was provided to Government during the year, however, due to the impact that the COVID-19 pandemic had on the normal operations of both the University and Government, further deliberations on a framework for pension reform were deferred for 2020-21.

As a result, Memorial University did not meet the objective of utilizing a funding policy to guide the long term sustainability of the Plan and to address the unfunded liability as set out in the 2020-2023 Activity Plan. The University will continue to work with Plan stakeholders, including the Provincial Government, toward finalizing the process of structural change for the Plan and the implementation of a funding policy in the next fiscal year.

With respect to the portion of the unfunded liability related to indexing, this is being financed by ongoing contributions from the University and employees at a combined rate of 1.2 per cent of pensionable payroll.

Issue Three

Joint Sponsorship of the Pension Plan

Within the province of Newfoundland and Labrador, other large public sector pension plans have completed the process of converting their governance and administration models to one of joint sponsorship by the employer and employee groups.

In consideration of the Plan's status as a public sector pension plan and in recognition of its funding challenges, the Provincial Government has requested that the University and Pension Plan stakeholders also move to establish joint sponsorship of the Plan and formulate a funding policy to guide its future sustainability. Under this structure, the Plan would be jointly sponsored by the University and employee groups and the sponsors will share equally in the Plan's management and funding.

During the fiscal year 2020-21, an update to an earlier preliminary framework on pension reform was provided to the Provincial Government for its review and comment. Due to the disruption in normal operations brought on by the COVID-19 pandemic, further deliberations on joint sponsorship were deferred in 2020-21.

Objective

By March 31, 2021, 2022 and 2023 the Memorial University Pension Plan will have continued work towards transitioning to a jointly sponsored pension plan.

Indicators: Continued the development of a joint sponsorship agreement for the future management and funding of the Pension Plan.

During the year Memorial University met the objective of continuing work towards reaching agreement with employee groups on jointly sponsoring the pension plan. Due to the impact of the COVID-19 pandemic, discussions on joint sponsorship were deferred and are expected to resume in 2021-22 in consultation with the Provincial Government.

Financial Highlights

Selected financial highlights for the Plan are shown in the table below. More detailed information can be found in the audited financial statements beginning on page 29 of this report.

Table 7: Financial Highlights

		March 31 2021	2020
Net Assets Available for Benefits *		1,957,805,000	1,616,811,000
One-Year Annual Rate of Return		23.93%	-0.65%
Realized Investment Income		130,867,000	92,932,000
Pensions Paid**		89,092,000	85,156,000
Current Contributions:	Employee	30,185,000	29,477,000
	University	30,185,000	29,477,000
Buyback Contributions:	Employee	1,700	1,759
	University	103	100
University special payments:			
	Going Concern	Nil	Nil
	Solvency deficit (refunds)	3,359,000	3,716,000

* Net assets available for benefits is reported at fair value and does not include the actuarial smoothing adjustment. Refer to note 6 of the accompanying financial statements for further information.

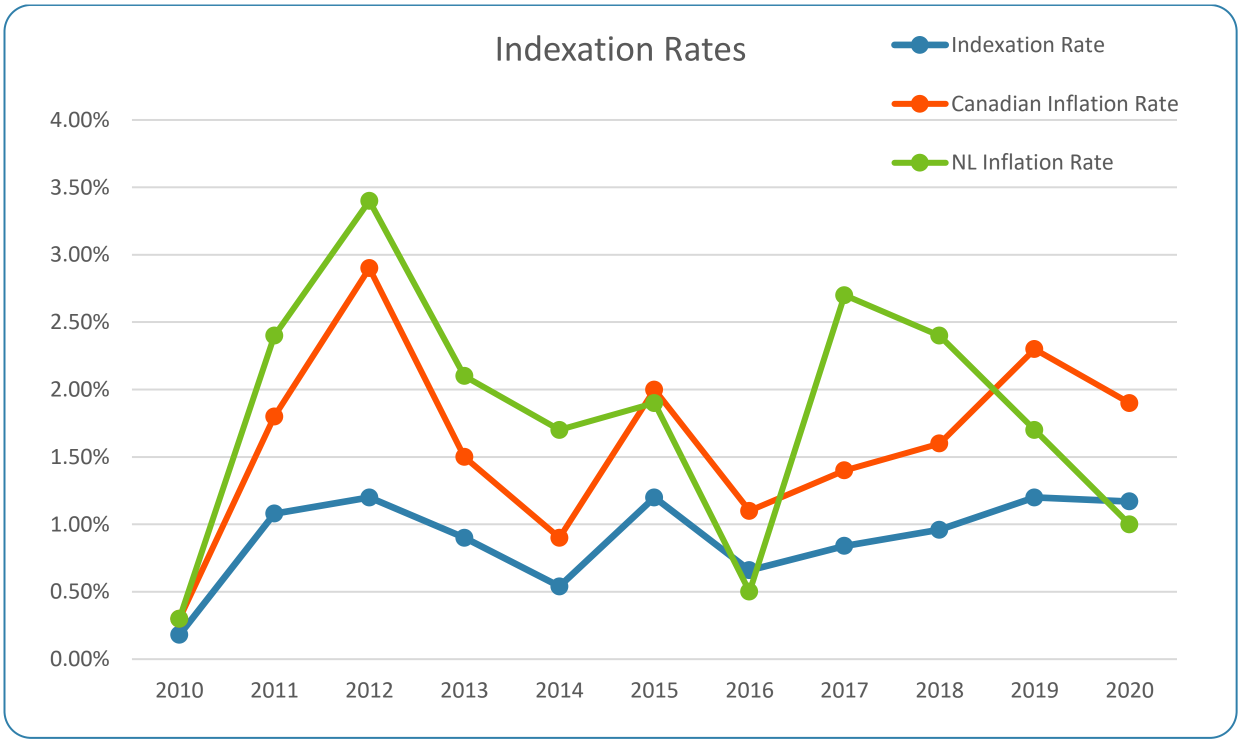
** Not inclusive of death benefits or refunds.

Pension Indexing

On July 1, 2020, 1,849 retirees and principal beneficiaries received a 1.17 per cent indexing adjustment to their pensions. Indexing was introduced under the Plan in July 2004, with yearly adjustments calculated as 60 per cent of the annual change in the consumer price index, as measured by Statistics Canada, to a maximum yearly increase of 1.2 per cent.

Figure 7: Indexation Rates

Indexation rates from 2010 to 2020 are showing in the chart below:



Average Indexation Rate:

0.98%

For the 10-year period from 2011 to 2020.

Throughout the fiscal year the Plan's participant distribution will inevitably change (e.g, retirements, new hires). Movement within the 2020-21 fiscal year is shown below:

Table 7: Membership Movement

Membership Group	March 31, 2021	April 1, 2020
Actives	3,529	3,621
Retirees	2,227	2,140
Principal Beneficiaries	304	324
Deferred	428	433

A full valuation of the Plan was performed at December 31, 2020 and extrapolated to March 31, 2021 for financial reporting purposes. The results of this valuation are reported upon in an earlier section.

The Plan's unfunded liability decreased significantly from the prior year due primarily to positive investment performance. The Fund generated an annual return of 23.9% at March 31, 2021, which exceeded the Plan's hurdle or discount rate of 5.6% by a sizeable margin. Other economic and demographic experience gains that were realized by the Plan also contributed to its improved financial position.

Table 9: Financial Position

	March 31				
	2021 (000s)	2020 (000s)	2019 (000s)	2018 (000s)	2017 (000s)
Net Assets at Market Value	1,957,805	1,616,811	1,667,740	1,569,748	1,500,468
Pension Obligations	1,965,634	1,918,674	1,861,829	1,798,415	1,736,599
Deficit	7,829	301,863	194,089	228,667	236,131
Funded Ratio	99%	84%	90%	87%	86%

- Results of December 31 valuations are extrapolated to March 31 for financial reporting.
- Financial positions and funded ratios are reported at market value as per Pension Plan financial statements and do not reflect asset "smoothing" adjustments contained in actuarial valuation reports.

Opportunities and Challenges Ahead

Opportunities

The following area of opportunity has been identified for 2021-22:

- Resumption of normal service delivery model, subject to special measures that may be required as a result of the COVID-19 pandemic;

Challenges

The following challenges have been identified for 2021-22:

- Monitoring and assessment of the performance of investment fund managers and review of the Statement of Investment Policy and Objectives;
- Implementation of new Strategic Asset Mix for the pension fund;
- Development of a funding strategy to address the unfunded liability;
- Continued negotiation with employee groups on reaching agreement on joint sponsorship of the Plan and development of a future oriented funding policy and governance model.

Conclusion

The 2020-21 fiscal year was one of continued adaptation to the new reality of living within the constraints of a global environment dealing with the COVID-19 pandemic. Despite the economic and social challenges presented during the year, global investment markets rebounded vigorously from the historic lows of just a year before that were precipitated by the onset of the pandemic. The Plan recovered from the downturn and ended the year at a 99 percent funded ratio, based on the market value of its investments.

While work towards reaching agreement on joint sponsorship continued in the early part of the year, it was subsequently deferred due to the onset of the COVID-19 pandemic. The Plan is well positioned for when discussions resume with employee groups once operations begin to return to normal in the 2021-22 fiscal year.

The Board, through the work of the University administration and stakeholder groups, will continue its efforts to ensure that funding and governance goals are achieved and that the Plan remains competitive and affordable for its constituent groups.

With respect to the objectives set out in the Board of Regents' three-year activity plan intended to guide the Plan for the fiscal year 2020-21 the University met the funding objective relative to the collection, investment, and disbursement of the fund and the objective related to continued work towards joint sponsorship. However, due to the status of joint sponsorship discussions, the objective related to a funding policy for the unfunded liability was not met. The University anticipates that this objective will be met once discussions with employee groups resume in consultation with the Provincial Government and joint sponsorship is implemented.

Financial Statements

Memorial University of Newfoundland Pension Plan

March 31, 2021

To be added at a later date