



# Annual Report

## 2018-19

THE MEMORIAL  
UNIVERSITY  
PENSION PLAN

DEPARTMENT OF  
HUMAN RESOURCES,  
MEMORIAL  
UNIVERSITY OF  
NEWFOUNDLAND

[www.mun.ca](http://www.mun.ca)





# Annual Report of The Memorial University Pension Plan

April 1, 2018 to March 31, 2019

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September 2019

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# Chairperson's Message

September 10, 2019

Honorable Christopher Mitchelmore  
Minister of Advanced Education, Skills and Labour  
West Block, Confederation Building  
P.O. Box 8700  
St. John's, NL  
A1B 4J6

Dear Minister Mitchelmore:

I am pleased to submit the 2018-19 Annual Report of the Memorial University Pension Plan. This report covers the period April 1, 2018 to March 31, 2019.

This is the second performance-based report to be presented under the Memorial University Pension Plan's Activity Plan for 2017-2020. 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.

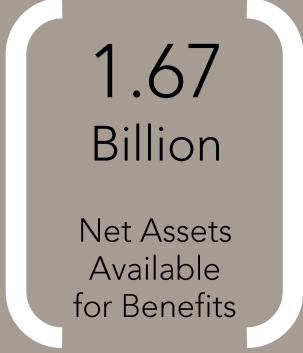
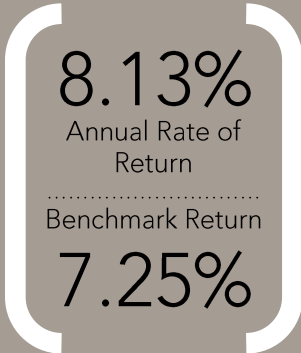
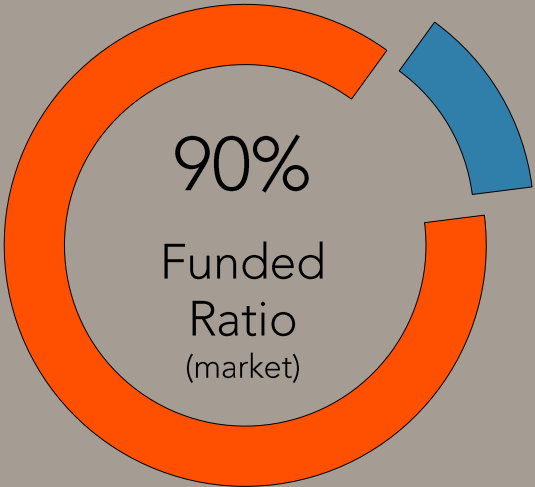
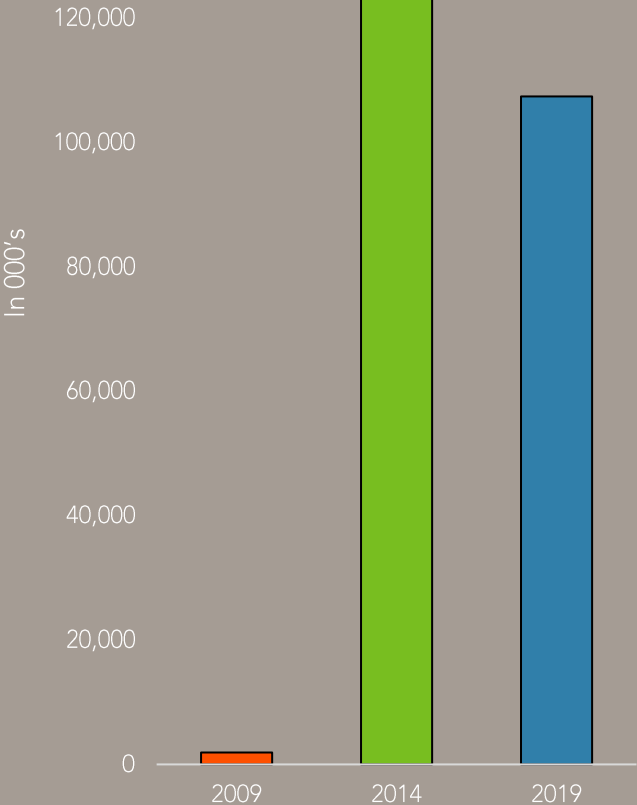
Respectfully submitted,



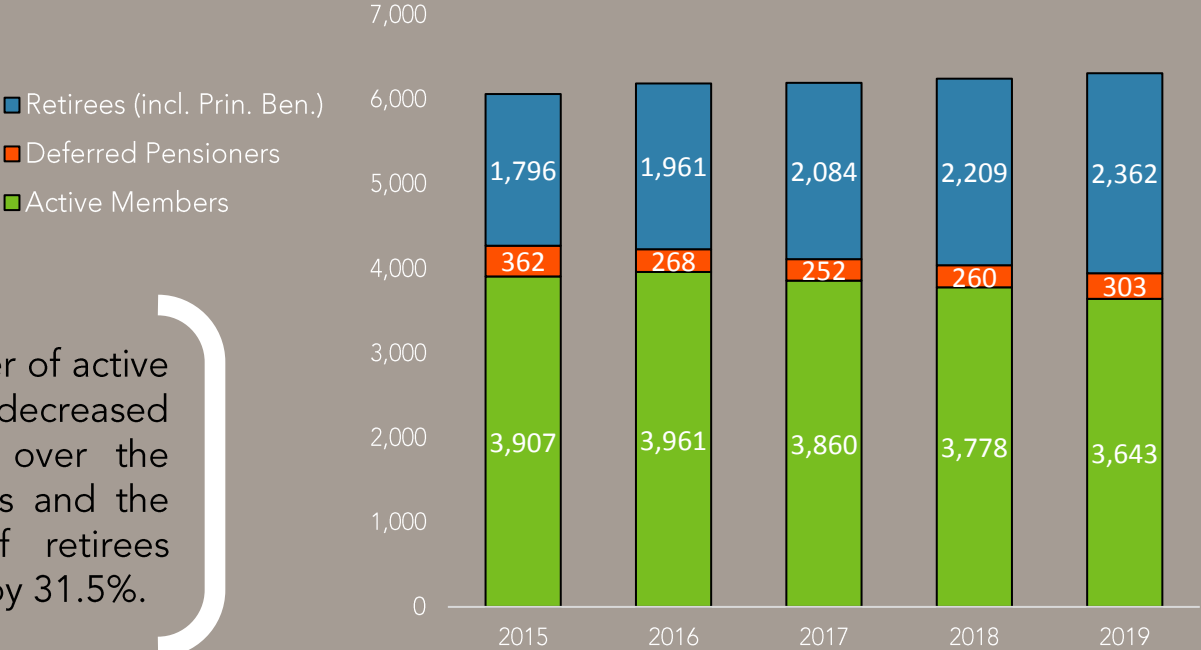
**Iris Petten**  
Chair, Board of Regents

# Pension Plan Highlights

Investment Income Comparison



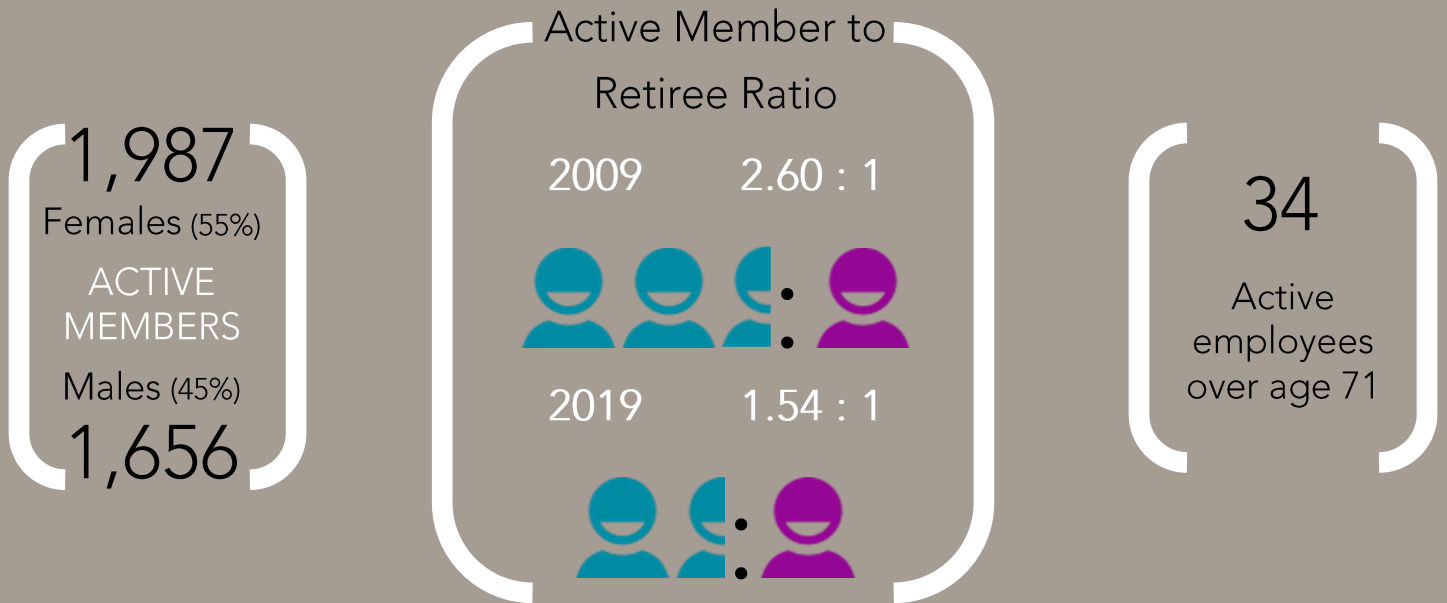
Membership Profile



The number of active members decreased by 6.75% over the last 5 years and the number of retirees increased by 31.5%.

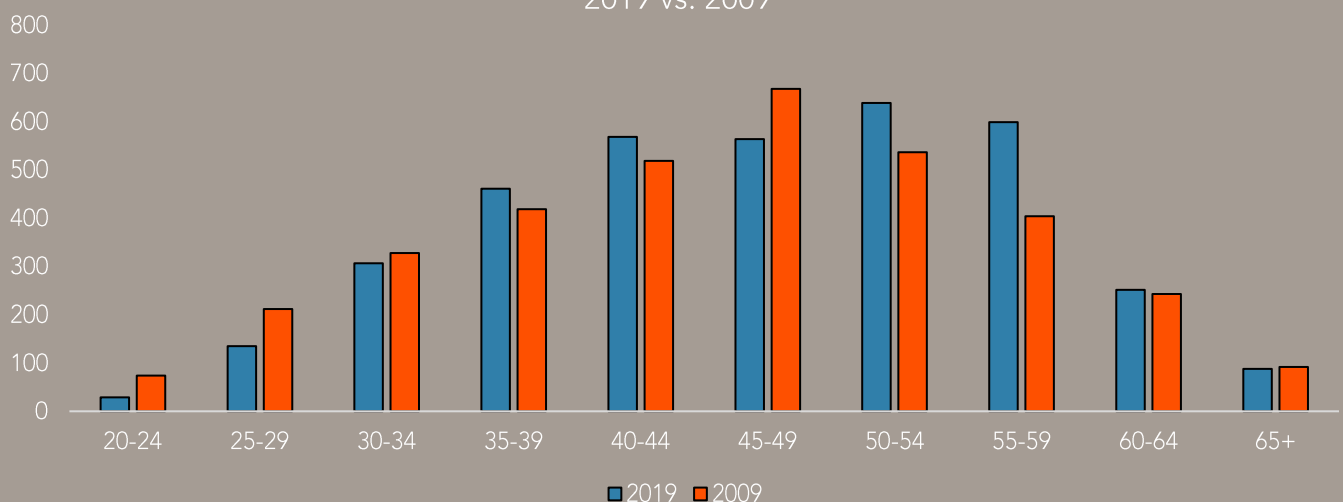


# Plan Membership Highlights



	March 31				
	2019	2018	2017	2016	2015
Active Members	3,643	3,778	3,860	3,961	3,907
Average Age of Active Members	47.3	47.2	46.8	46.6	46.5
Retirees (incl. Prin. Ben.)	2,362	2,209	2,084	1,961	1,796
Deferred Pensioners	303	260	252	268	362
Average Age at Retirement	61.33	61.30	61.23	61.02	60.97

Age Distribution - Active Members  
2019 vs. 2009



# 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, 2017 to March 31, 2020. This Annual Report discusses the outcome of those objectives for the period April 1, 2018 to March 31, 2019 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: [https://www.mun.ca/hr/services/benefits/Activity\\_Plan\\_2017-2020.pdf](https://www.mun.ca/hr/services/benefits/Activity_Plan_2017-2020.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, 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)

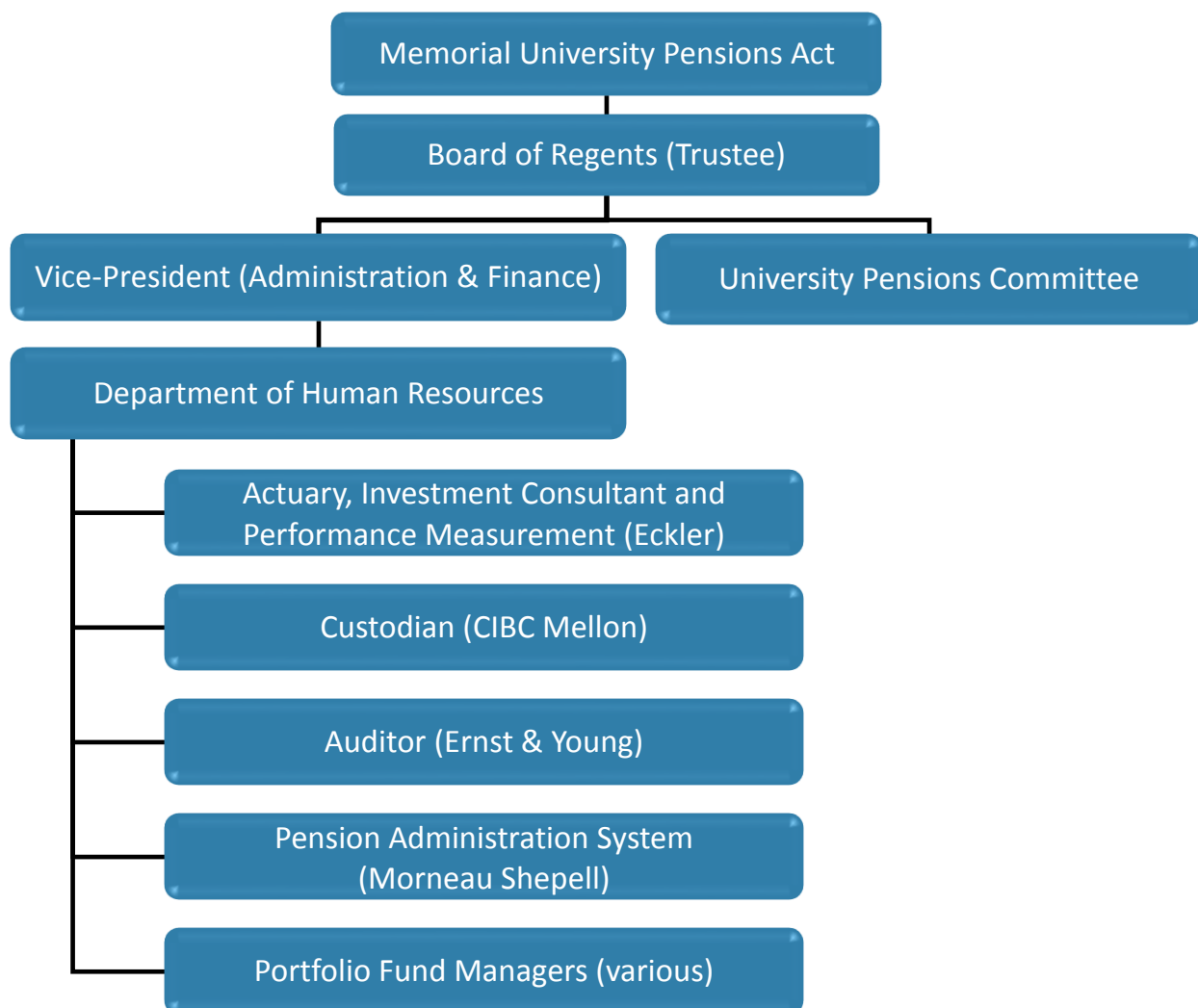


## Authority and Administration

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. The Fund is invested in 13 separate investment mandates that include equities, traditional fixed income, real estate, and mortgages. Of the total investment, 31 per cent has been allocated to foreign equity markets.

The University Pensions Committee routinely monitors the performance of the Fund and where appropriate will recommend changes to the investment policy and its implementation. During the 2018-19 fiscal year, there were no changes to either the asset allocation or the existing investment management firms appointed to invest the Fund. There were, however, significant changes in the ownership structure of two of the investment management firms. In May 2018, Scotiabank completed an acquisition of Jarislowsky Fraser and in November 2018, TD Bank acquired Greystone Managed Investments. The Committee will continue to monitor the ongoing investment strategy and performance of these firms to ensure they satisfy the investment objectives set for the Plan.

## Investing Locally

Through the Greystone Real Estate Fund, the Plan is invested locally in "351 Water Street" and "Scotia Place" in St. John's and "Beclin Business Park" in Mount Pearl. The investment management firms engaged to manage the real estate portfolio routinely assess the local marketplace to identify further opportunities for investment.

## Policy Asset Mix

The policy asset mix set for the investment of the Fund is set out below:

Table 1: Policy Asset Mix

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%

\* Note: For monthly re-balancing purposes, cash is included with active fixed income.

## Investment Manager Benchmark Distribution

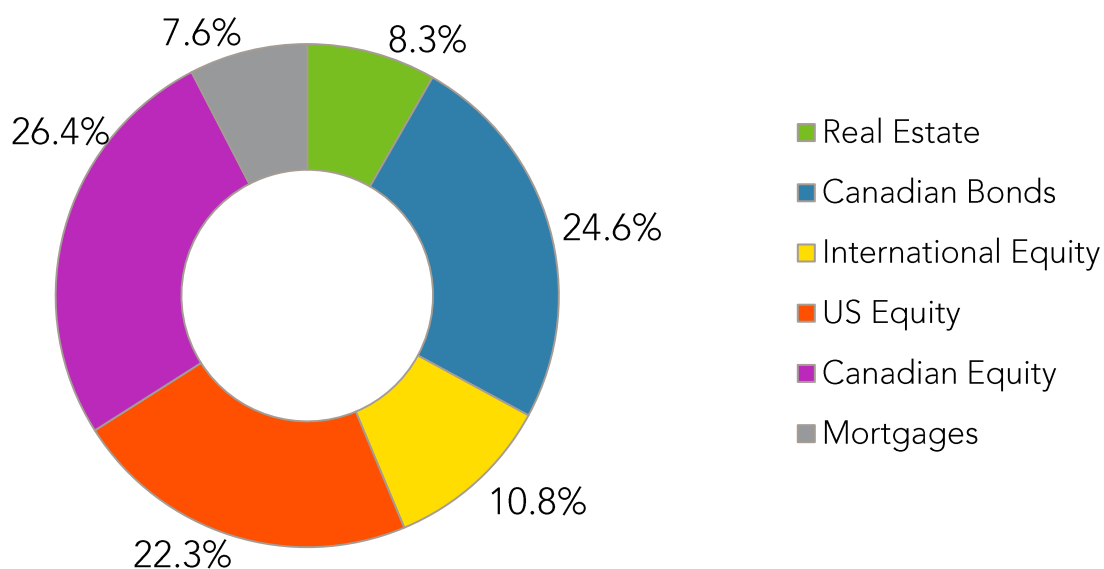
The Fund is invested by external institutional investment management firms. Their mandates and fund allocations are detailed in the table below:

Table 2: Benchmark Distribution

Manager	Mandate	Benchmark Allocation	Actual Allocation March 31, 2019
Jarislowsky Fraser Limited	Canadian Equity	12.5%	13.8%
Connor Clark & Lunn	Canadian Equity	6.25%	6.1%
Fidelity Investments Canada	Canadian Equity	6.25%	6.5%
Greystone Managed Investments Inc.	Canadian Fixed Income	7.75%	6.6%
Jarislowsky Fraser Limited	Canadian Fixed Income	7.75%	6.4%
CIBC Global Asset Management Inc.	Canadian Index Bonds	12.5%	11.6%
Alliance Bernstein	US Equity	21%	22.3%
Wellington	International Equity	3.75%	3.8%
Fiera	International Equity	3.75%	4.3%
Baillie Gifford	International Equity	2.5%	2.7%
IAM Real Estate Group	Real Estate	3.2%	3.0%
Greystone Managed Investments Inc.	Real Estate	4.8%	5.3%
Greystone Managed Investments Inc.	Mortgages	8%	7.6%

The relative distribution of assets across the entire Fund, as at March 31, 2019, is illustrated in the following chart:

Figure 2: Distribution of Assets

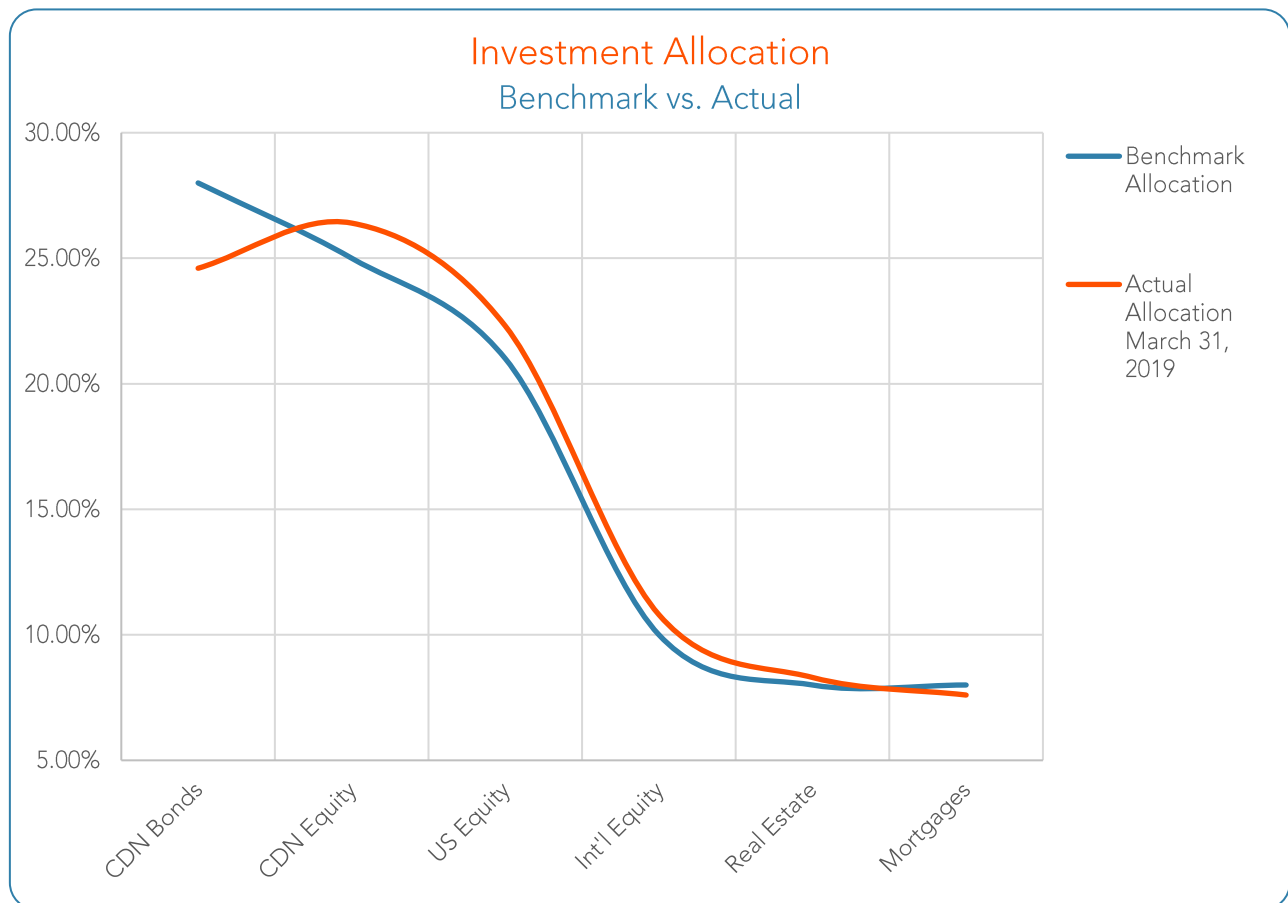


## Rebalancing of Assets

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.

Figure 3: Investment Allocation

Canadian Bonds and Mortgages were underweight, while the remaining investment allocations were overweight. All mandates are within their rebalancing limits.



## Investment Performance

The 2018-19 fiscal year was one of significant volatility for the Fund. Investment returns were strong in the first quarter, buoyed primarily by gains in North American equity markets, with marginal positive support from international markets and domestic fixed income. The US market continued to be strong in the second quarter while domestic and international equity markets began to experience declines as did domestic bonds. It was during the third quarter, however, when the Fund experienced a period of significant downward pressure on performance stemming from a worldwide decline in global equity markets. There was, however, a slight offset to the underperforming stock market in Q3 from Canadian bonds arising from expectations of lower inflation and fewer interest rate increases. As much as the Fund lost value in the third quarter, it recovered those losses and more in quarter four due to a significant worldwide rebound in both equity and bond markets. Throughout each of the four quarters in 2018-19, the real estate and mortgage portfolios continued to provide their stabilizing effect on fund performance.

	Fund Value (\$ Millions)	Quarterly Return (%)
Quarter 1	1,625.1	3.78
Quarter 2	1,637.9	1.24
Quarter 3	1,560.5	-4.22
Quarter 4	1,668.1	7.45



Despite a challenging third quarter the Fund achieved an annual return of 8.13 per cent for the fiscal year ended March 31, 2019. This was 2.33 percentage points ahead of the Plan's long term objective of 5.8 per cent, established for discounting liabilities and 0.88 percentage points above the benchmark return set for the Fund. In a universe of similarly invested funds it ranked in the third percentile where the first percentile represents the top performer and the 100<sup>th</sup> percentile, the worst.

### Annual Return:

March 31, 2019 .....	8.13%
March 31, 2018 .....	6.00%

Over the longer term the Fund continues to perform well relative to its benchmark, comparator group and actuarial hurdle. The five year annualized return of 8.16 per cent surpassed the benchmark by 1.17 percentage points. On a ten year basis the Fund has generated an annualized return of 9.83 per cent, an excess of one percentage point over its benchmark and ranking it in the 19<sup>th</sup> percentile.

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



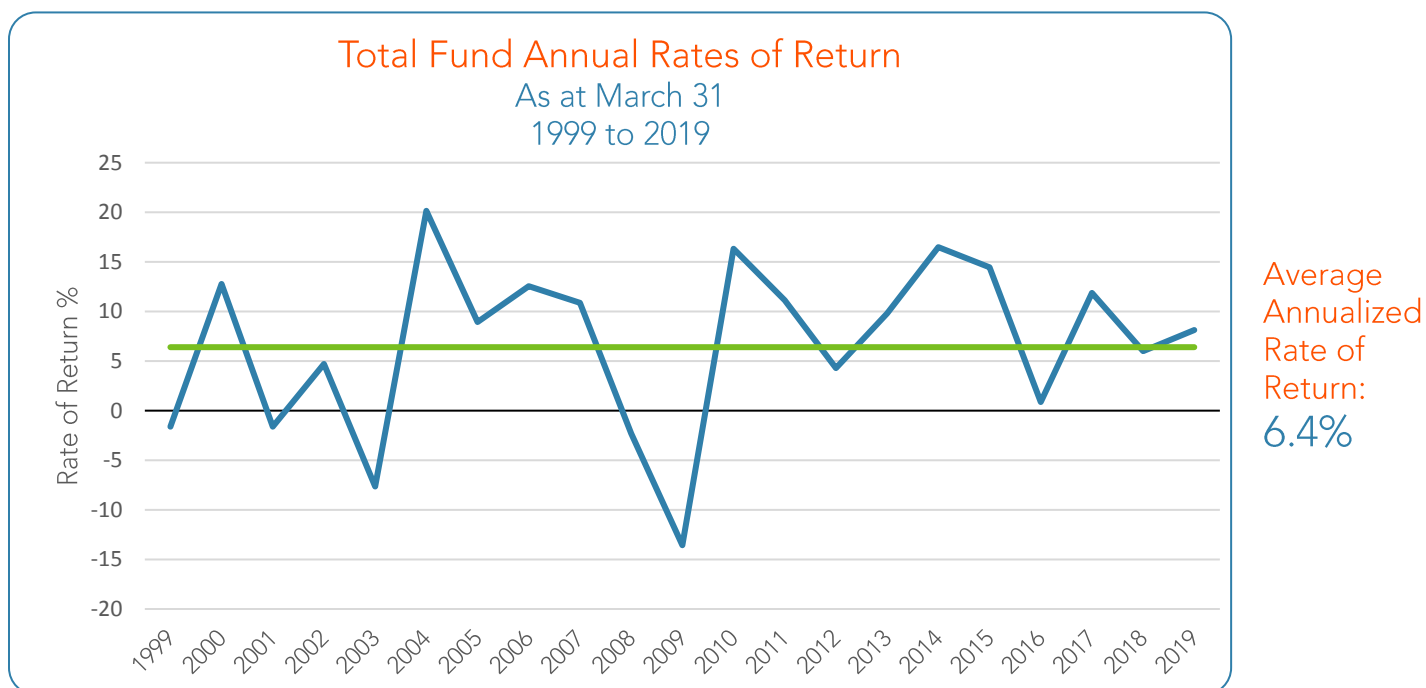
Table 3: Investment Performance (March 31)

	1 year	4 years	5 years	10 years
Annualized Return	8.13%	6.64%	8.16%	9.83%
Benchmark Return*	7.25%	5.61%	6.99%	8.83%
Value Added	0.88%	1.03%	1.17%	1.00%
Percentile Ranking	3	1	3	19

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

Figure 4: Rate of Return

Annual fund returns over the period 1999 to 2019 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.

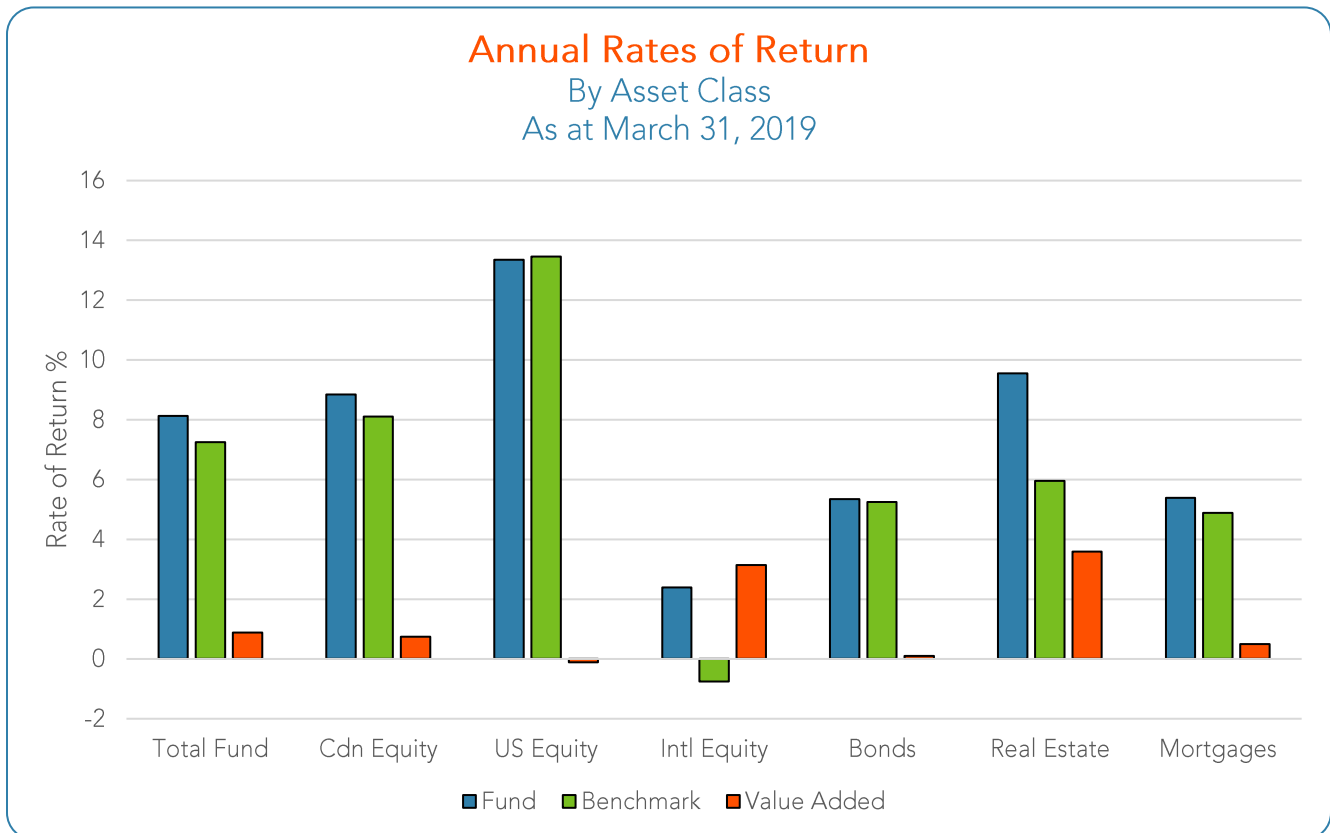
# Mandate Performance

80% of the Fund's mandates outperformed their respective benchmarks over 12 months ending March 31, 2019.

100% of the Fund's mandates with 4 year performance track records outperformed their respective benchmarks over 4 years ending March 31, 2019.

Figure 5: Asset Class Rate of Return

Annual returns by asset class for the one year period ended March 31, 2019 are shown below:



# Actuarial Valuation

An actuarial valuation of the Plan was performed as at December 31, 2018 and the results have been extrapolated to March 31, 2019 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 most recent solvency funding exemption expired on December 31, 2018.

An actuarial valuation for funding purposes is required at least once every three years by pension standards legislation. The December 31, 2018 valuation is a funding valuation and will be used to determine special payments against the Plan's unfunded liability and to set the contribution rate for employees and the University. The results of the extrapolation to March 31, 2019 and the December 31, 2018 valuation are highlighted in the following table together with comparative figures for an extrapolation of the Plan's financial position to March 31, 2018:

Table 4: Actuarial Results

Actuarial Balance Sheet						
	March 31, 2019 (\$ Millions)		December 31, 2018 (\$ Millions)		March 31, 2018 (\$ Millions)	
	Going Concern	Solvency	Going Concern <sub>1</sub>	Solvency <sub>2</sub>	Going Concern	Solvency
Actuarial Value of Assets <sup>4</sup>	1,648.0	See Note 3) below	1,602.9	1,711.8	1,546.2	See Note 3) below
Actuarial Liabilities	1,861.8		1,842.0	2,163.6	1,798.4	
Unfunded Liability	(213.8)		(239.1)	(451.8)	(252.2)	

- 1) The going concern unfunded liability, as at December 31, 2018, includes approximately \$73.9 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 25.5 years from December 31, 2018.
- 2) Solvency assets at December 31, 2018 include the present value of five years' worth of going concern special payments (\$153.1 million).
- 3) An extrapolation of the solvency position was not performed as at March 31, 2019 or March 31, 2018.
- 4) The actuarial value of assets includes a fair value adjustment to "smooth" market effects over a three year period.

## Funding

The December 31, 2018 actuarial valuation of the Plan is the basis for funding. It revealed a going concern unfunded liability of \$239.1 million of which approximately \$73.9 million is 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, 2016-17 and 2017-18 the University was given regulatory approval to defer the required going concern special payments. With respect to the 2018-19 special payment, the University will address this with its broader review of Plan funding as part of its joint sponsorship negotiations.

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 per cent over levels identified in the last funding valuation, at December 31, 2015. The Plan's new contribution rate is shown below in comparison to the current rate:

Table 5: Contribution Rate

Rate Structure	Current Contribution Rate	New 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%

\* proposed implementation date – January 1, 2020

Report On

# Performance

# 2018-19

Three primary issues and related goals and objectives as identified in the 2017-2020 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 2017-2020 Activity Plan. During the period April 1, 2018 to March 31, 2019 a total of \$65.9 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 \$81.6 million in benefits to eligible retired employees and their beneficiaries. Over that same period, \$6.7 million in administrative expenses were paid in addition to \$5.8 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 2018-19 fiscal year.

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### Objective

By March 31, 2019, the Memorial University Pension Plan will have met its funding objectives, including the awarding of monies to eligible retired members or their principal beneficiaries<sup>1</sup> and the payment of associated administrative expenses.

---

#### Indicators:

- Collected and invested contributions  
During the 2018-19 fiscal year, the Plan collected a total of \$65,870,000 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.
- Ensured eligible retired members/principal beneficiaries<sup>1</sup> received pension benefits  
The Plan paid a total of \$81,609,000 in benefits to eligible retired employees or their beneficiaries in 2018-19.
- Paid associated administrative expenses



During 2018-19, the Plan paid a total in \$6,743,000 in administrative expenses and \$5,795,000 in termination benefits.

<sup>1</sup>The University has replaced the term “survivor” with “principal beneficiary” in Plan documentation and communications.

## 2019-20 Objective

By March 31, 2020, the Memorial University Pension Plan will have met its funding objectives, including the awarding of monies to eligible retired members or their principal beneficiaries and the payment of associated administrative expenses.

**Indicators:** Collected and invested contributions

Ensured eligible retired members/principal beneficiaries received pension benefits

Paid associated administrative expenses

### 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 until December 31, 2018. 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 25.25 years from March 31, 2019.

With respect to going concern funding, the University was given regulatory approval to defer the required special payments for 2015-16, 2016-17 and 2017-18. The deferrals were granted while the University and its employee groups were engaged in a governance review of the Plan focused on joint sponsorship.

In July 2018, a preliminary agreement on a framework for joint sponsorship was reached between 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 agreement contemplated that the Plan would become jointly sponsored before March 31, 2019 and included a funding policy that ensured the Plan's ongoing viability as well as measures to address the existing going concern unfunded liability. Further discussions on joint sponsorship have, however, been deferred pending ongoing discussion with the Provincial Government on the proposed agreement and the funding proposal.

An actuarial valuation of the Plan was performed as at December 31, 2018 for funding purposes. The valuation revealed a going concern unfunded liability of \$239.1 million and this includes approximately \$73.9 million in respect of indexing introduced in 2004. Under the PBA the balance of \$165.2 million must be amortized over a 15 year period with special annual payments of 10.7 per cent of pensionable payroll.

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### Objective

By March 31, 2019, 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:** Implemented a funding policy to guide the sustainability of the Pension Plan and address future surpluses and deficits.

The University and its major unionized employee groups (CUPE, NAPE and MUNFA) reached preliminary agreement on a framework for reform of the Plan in July 2018. This agreement contemplated that by March 31, 2019, responsibility for the Plan and its governance would have become the joint responsibility of the University and employees. It 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. The University, with the support of the Unions, provided a draft Reform Agreement to the Provincial Government in August, 2018 and discussions are ongoing.

Due to the status of the proposed agreement on reform of the Plan, 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 2017-2020 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. It is proposed that this financing arrangement will continue under a jointly sponsored pension plan.

## 2019-20 Objective

By March 31, 2020, Memorial University will have utilized a funding policy to guide the long term sustainability of the Plan and to address the unfunded liability.

**Indicator:** Implemented a funding policy to guide the sustainability of the Pension Plan and address future surpluses and deficits.

### Joint Sponsorship

Within the province of Newfoundland and Labrador, other large public sector pension plans have undergone a transformational pension reform process which has culminated in the establishment of shared responsibility for pension plan management and funding.

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 2018-19, the University and its major unionized employee groups (CUPE, NAPE, and MUNFA) reached preliminary agreement on a framework for Pension Plan reform to jointly sponsor the Plan. This draft agreement was provided to the Provincial Government in August, 2018. Discussions are ongoing and the University continues to work with the Provincial Government on a resolution.

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### Objective

By March 31, 2019, the Memorial University Pension Plan will have transitioned to a jointly sponsored pension plan.

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**Indicators:** Continued negotiations with employee groups toward the development of a joint sponsorship agreement for the future management and funding of the Pension Plan.

Signed reform agreement.

Signed joint sponsorship agreement.

Due to the status of the proposed agreement on Pension Plan reform, Memorial University did not meet the objective of transitioning to a jointly sponsored pension plan by March 31, 2019. Subject to the outcome of discussions with the Provincial Government on the proposed reform agreement, the University and employee groups will recommence joint sponsorship discussions in fiscal year 2019-20.

## 2019-20 Objective

By March 31, 2020, the Memorial University Pension Plan will have transitioned to a jointly sponsored pension plan.

**Indicators:** Continued negotiations with employee groups toward the development of a joint sponsorship agreement for the future management and funding of the Plan.

Signed reform agreement.

Signed joint sponsorship agreement.

# Highlights and Partnerships

## 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 6: Financial Highlights

	March 31	
	2019	2018
Net Assets Available for Benefits *	1,667,740,000	1,569,748,000
One-Year Annual Rate of Return	8.13%	6.00%
Realized Investment Income	107,373,000	107,205,000
Pensions Paid**	78,559,000	71,679,000
Current Contributions: Employee	29,818,000	30,478,000
University	29,818,000	30,479,000
Buyback Contributions: Employee	3,659	3,538
University	130	201
University special payments:		
Going Concern	Nil	Nil
Solvency deficit (refunds)	2,445,000	3,757,000

\* 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.

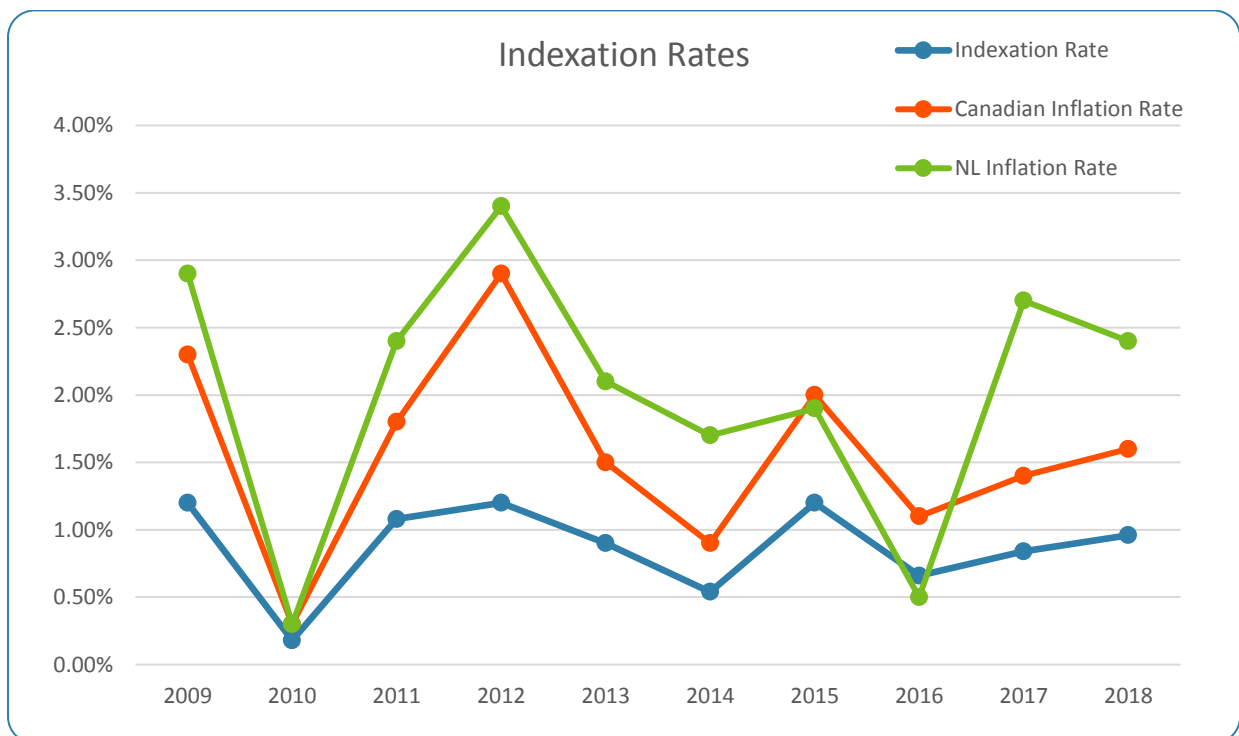


# Pension Indexing

On July 1, 2018, 1,680 retirees and principal beneficiaries received a 0.96 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 6: Indexation Rates

Indexation rates from 2009 to 2018 are showing in the chart below:



Average Indexation Rate:

**0.88%**

For the 10 year period from 2009 to 2018.

## Membership Movement and Distribution

Throughout the fiscal year the Plan's participant distribution will inevitably change with retirements, new hires, etc. Movement within the 2018-19 fiscal year is shown below:

Table 7: Membership Movement

Membership Group	March 31, 2019	April 1, 2018
Actives	3,643	3,778
Retirees	2,086	1,941
Principal Beneficiaries	276	268
Deferred	303	260

## Voluntary Retirement Program

In Spring 2018, the University announced that it would be offering a voluntary retirement program (VRP) to eligible employees who were either members of the Plan or participated in an alternate retirement savings program offered by the University. The eligibility criteria were aimed at longer serving employees who were of retirement age and whose retirement would facilitate academic renewal and contribute to budgetary reduction initiatives. The retirement incentive consisted of a lump sum payment by the University to the employee based upon their existing salary and years of service. The program was structured to run in four phases of varying age and service combinations with a requirement to retire by December 31, 2018. Of those that were eligible to avail of the program, 40 per cent were approved and retired in the 2018 calendar year.

Table 8: VRP Participation

Phase	Age and Service Criteria	Number of Retirements		
		Faculty	Staff	Total
1	Age 71 with no service minimum	14	0	14
2	Age 65 – 71 with minimum 30+ years of pensionable service	21	4	25
3	Age 60-65 with minimum 35+ years of pensionable service	8	6	14
4	Age 60-65 with minimum 30+ years of pensionable service	7	9	16
<b>Totals</b>		<b>50</b>	<b>19</b>	<b>69</b>

Totals include two employees who were not members of the Plan but instead participated in an alternate retirement savings program (i.e. group RRSP) offered by Memorial University.

## Retirement Planning Seminars

To help Memorial employees plan for their retirement, full day retirement planning seminars are held annually. With almost 1,000 employees eligible for unreduced retirement by 2019, this year's seminar had approximately 194 participants. The seminar was open to employees and their spouses and was attended by those who anticipate retiring in the next



few years and those who are planning ahead for retirement in the years to come. During the seminar, participants learned about the University's pension and post-retirement benefits, the Canada Pension Plan and Old Age Security Benefits. Presentations were also provided by a representative of Memorial University of Newfoundland Pensioners' Association (MUNPA) and from a financial planning and consulting firm. The University also provides pension information sessions upon request from individual departments.

## Actuarial Valuation and Financial Position

A full valuation of the Plan was performed at December 31, 2018 and extrapolated to March 31, 2019 for financial reporting purposes. The results of this valuation are reported upon in an earlier section. The financial position of the Plan improved from the prior year due primarily to:

- i. investment returns of 8.13 per cent exceeding the discount rate of 5.8 per cent; and
- ii. experience gains relative to the assumptions used to value pension liabilities

The Plan's funded position over the past five years is shown below:

Table 9: Financial Position

	March 31				
	2019 (000s)	2018 (000s)	2017 (000s)	2016 (000s)	2015 (000s)
Net Assets at Market Value	1,667,740	1,569,748	1,500,468	1,358,381	1,359,270
Pension Obligations	1,861,829	1,798,415	1,736,599	1,657,148	1,465,989
Deficit	194,089	228,667	236,131	298,767	106,719
Funded Ratio	90%	87%	86%	82%	93%

- 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 areas of opportunity have been identified for 2019-20:

- Providing retirement planning seminars;
- Individual employee meetings on preparing for retirement.

## Challenges

The following challenges have been identified for 2019-20:

- Continued monitoring of the investment performance of fund managers and review of the Statement of Investment Policy and Objectives;
- 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 Plan performed well during the 2018-19 fiscal year. The growth in Plan assets outpaced pension liabilities leading to an improvement in the funded ratio which stood at 90 per cent at March 31, 2019. Net assets available for benefits increased by \$100 million to end the year at \$1.67 billion while pension liabilities grew to \$1.86 billion, representing an increase of \$63 million over the prior year.

On the investment side, the Pension Fund posted an annual return of 8.13 per cent for the year ranking it in the third percentile when compared to a universe of similarly invested funds. This result was well above of the Plan's actuarial hurdle of 5.8 per cent and was a significant contributor to the improved financial position. The unfunded liability measured on a market value basis, as reported in the Plan's financial statements, declined by approximately \$34.6 million from the prior year to \$194.1 million at March 31, 2019.

Significant progress was made during the year on joint sponsorship as the proposed Plan sponsors reached preliminary agreement on a framework for reform. A draft pension plan reform agreement has been developed which details how the plan would be managed in the future and includes, among other things, provisions for a funding policy and disposition of the existing unfunded liability. The draft agreement has been provided to Government and discussions are ongoing.

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 years 2017-18 to 2019-20, the University met the funding objective relative to the collection, investment, and disbursement of the fund. Due to the status of the draft Pension Plan reform agreement, the objectives related to the unfunded liability and joint sponsorship have not been met. The University anticipates that these objectives will be fulfilled in 2019-20, subject to the outcome of discussions with Government on the framework for pension reform and successful conclusion of joint sponsorship negotiations.



Financial Statements  
Memorial University of Newfoundland  
Pension Plan

March 31, 2019

Note: Report to be resubmitted when financial statements have been signed

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