The Memorial University Pension Plan

ACTIVITY PLAN

April 1, 2014 to March 31, 2017

Department of Human Resources
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Chairperson's Message

June 12, 2014

Honourable Kevin O'Brien
Minister of Advanced Education and Skills
West Block, Confederation Building
P.O. Box 8700
St. John's, NL
A1B 4J6

Dear Minister O'Brien:

I am pleased to submit a three-year Activity Plan for the Memorial University Pension Plan. This plan covers the period April 1, 2014 to March 31, 2017.

The Board of Regents, in its position as trustee, has reviewed all strategic directions from the Minister of Advanced Education and Skills, however none pertain to the Memorial University Pension Plan. This plan has been prepared in accordance with the Pension Plan's responsibility under the *Transparency and Accountability Act* and the *Memorial University Pensions Act*. Under legislation, the Board is defined as a category 3 entity and therefore is required to prepare an Activity Plan.

My signature below is on behalf of the Memorial University Pension Plan and is indicative of its accountability for the preparation of this plan and for the achievement of the objectives contained herein.

Respectfully submitted,

Iris Petten
Chair, Board of Regents

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THE MEMORIAL UNIVERSITY PENSION PLAN
APRIL 1, 2014 TO MARCH 31, 2017

The Memorial University Pension Plan (the Pension 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 Memorial University of Newfoundland. In addition, employees of certain separately incorporated entities of Memorial are also 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 Plan Overview

Authority and Administration

The Pension Plan operates under authority of the *Memorial University Pensions Act*, which prescribes that the Board of Regents of Memorial University is trustee. To assist with its responsibilities as trustee, the Board has established a pension advisory committee to provide advice on matters relating to the Pension Plan. This 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.

Investments

All contributions of employees and the University 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.

The Fund is invested in 10 separate investment mandates that include equities, traditional fixed income, real estate and mortgages. Of the total investment, 31% has been allocated to foreign markets. For a more detailed description of the investment structure please refer to Tables 1 and 2 below.

During the 2013-2014 fiscal year the Canadian balanced mandate managed by Greystone Managed Investments Inc. was converted to separate Canadian equity and fixed income mandates. Greystone continues to manage the fixed income component of this former balanced strategy while two new investment managers were appointed to manage the Canadian equity component – Pyramis Global Advisors and Connor Clark and Lunn Financial Group.

Policy Asset Mix

Table 1

Asset Class	Percentage Allocation
Canadian Equity	25%
U.S. Equity	21%
International Equity	10%
Fixed Income	25%
Cash /Short term	3%
Real Estate	8%
Mortgages	8%

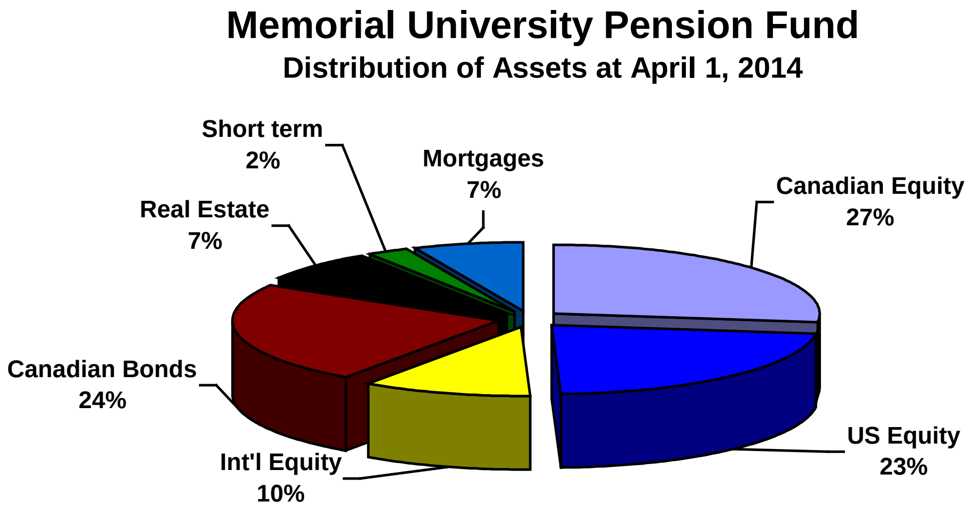
Investment Manager Benchmark Distribution

Table 2

Manager	Mandate	Allocation
Jarislowsky Fraser Limited	Canadian Balanced	20.25%
Connor Clark & Lunn	Canadian Equity	6.25%
Pyramis Global Advisors	Canadian Equity	6.25%
Greystone Managed Investments Inc.	Canadian Fixed Income	7.75%
CIBC Global Asset Management Inc.	Indexed Bonds	12.5%
Alliance Capital Management Canada Inc.	US Equity	21%
Aberdeen Managed Investments	International Equity	10%
Greiner-Pacaud Management Associates	Real Estate	3.2%
Greystone Managed Investments Inc.	Real Estate	4.8%
Greystone Managed Investments Inc.	Mortgages	8%

The relative distribution of assets across the entire Fund, as at April 1, 2014, is illustrated in the following chart:

Figure 1



For the year ended March 31, 2014, the Fund achieved a rate of return on invested assets of 16.5 per cent. The Net Assets Available for Benefits increased by approximately $181.5 million – up from $994.5 million at March 31, 2013 to $1.176 billion at March 31, 2014.

Actuarial Valuation

A valuation for funding purposes was prepared as at December 31, 2012 and the results were reported in the Pension Plan's Annual Report for the year ended March 31, 2013. This valuation was subsequently revised to incorporate an updated interest rate assumption (6.3% instead of 6.0%) and a retirement assumption that better reflected Memorial's post mandatory retirement experience. The revised results are reported in this Activity Plan and will be reported upon in the Pension Plan's 2013-14 Annual Report.

The revised December 31, 2012 valuation will be the basis for Pension Plan funding up to the date of the next funding valuation, scheduled to occur at December 31, 2015 in accordance with the Pension Plan's triennial filing cycle for funding valuations.

While an actuarial valuation of the Pension Plan is required at least once every three years for funding purposes, annual valuations have been performed since 2006. These valuations have been requested by the provincial Office of the Superintendent of Pensions as a condition of granting a solvency funding exemption under the *Pension Benefits Act, 1997*, *Regulations.* The current exemption covers the period January 1, 2011 to December 31, 2015.

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 revised valuation at December 31, 2012 showed that the basis for computing the University's annual special payments against the unfunded liability had not changed from the March 31, 2010 valuation. In addition, the Pension Plan's current service cost remained unchanged from its former level and a contribution rate increase is not necessary.

The results of the December 31, 2012 valuation and extrapolation to March 31, 2013 are highlighted in the following table together with comparative figures for an extrapolation of the Pension Plan's financial position to March 31, 2014:

(Table 3)

Actuarial Balance Sheet						
	March 31, 2014 ($ Millions)		**March 31, 2013 ($ Millions)**		**December 31, 2012 ($ Millions)**	
	Going Concern	**Solvency**	**Going Concern**	**Solvency**	**Going Concern**	**Solvency**
Actuarial Value of Assets	1,103.5	See Note 3) below	983.3	See Note 3) below	950.2	1,045.0
Actuarial Liabilities	1,399.2		1,262.1		1,242.9	1,638.5
Unfunded Liability	295.7		(278.8)		(292.7)	(593.5)

Notes:

1) The going concern unfunded liability, as at December 31, 2012, includes approximately $72.7 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 31.5 years from December 31, 2012.

2) Solvency assets at December 31, 2012 include the present value of five years worth of going concern special payments ($108.4 million).

3) An extrapolation of the solvency position was not performed as at March 31, 2013 or March 31, 2014. If funding on a solvency basis was required, it would be based upon the December 31, 2012 solvency position.

In accordance with the *Pension Benefits Act, 1997* (the PBA), Memorial University, as employer, is required to liquidate going-concern deficiencies within 15 years of the valuation date. The total going-concern deficiency at December 31, 2012 was calculated by the University's actuary, Eckler Limited, to be $292.7 million. Of this amount, approximately $72.7 million is in respect of past service costs associated with the introduction of indexing in 2004. By special provision of the PBA, the University and employees are financing the indexing liability over a remaining period of 31.5 years from December 31, 2012 through contributions equivalent to 1.2% of pensionable payroll (shared equally by the University and employees). The balance, namely $220 million ($292.7 - $72.7), is being liquidated by the University through special payments of 7.2% of payroll over a period of 15 years. The special payment required for 2014-2015 is $22.6 million.

During the year ended March 31, 2014, the University made a special payment into the Fund of $20.3 million.

Current Service Cost

Current service cost is the basis upon which the Pension Plan's contribution rate for both employees and the University is determined. The December 31, 2012 funding valuation confirmed that the current contribution rate for the Pension Plan was appropriate.

Table 4

Rate Structure	Confirmed Rate
Earnings up to Year's Basic Exemption under Canada Pension Plan	9.9%
Earnings between Year's Basic Exemption under Canada Pension Plan and the Year's Maximum Pensionable Earnings under Canada Pension Plan	8.1%
Earnings above Year's Maximum Pensionable Earnings under Canada Pension Plan	9.9%

Pension Plan Membership Statistics

Table 5

	April 1				
	2014	**2013**	**2012**	**2011**	**2010**
Active Members	3,966	3,823	3,863	3,728	3,636
Retirees (incl. survivors)	1,688	1,637	1,549	1,463	1,392
Deferred Pensioners	314	292	287	238	206
Average Age at Retirement	60.94	60.90	60.49	60.56	60.43

Figure 2

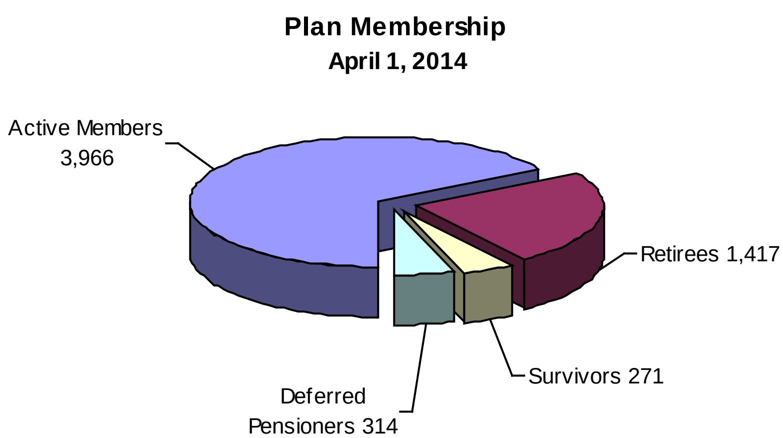
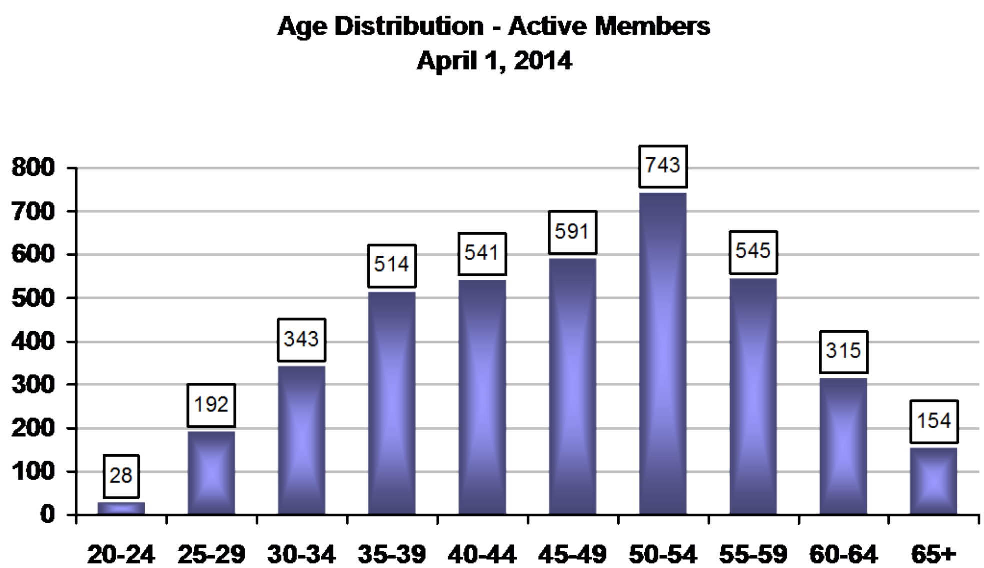


Figure 3



Mandate

The mandate of the Board of Regents of Memorial University, acting as the trustee for the Pension Plan, is set out in the *Memorial University Pensions Act*. In this role, the Board is responsible for the administration of the pension fund and has delegated certain administrative activities to the University's Department of Human Resources.

Administration of the pension fund involves:

- collecting and depositing employee and employer contributions into the fund;
- investing funds in accordance with the Act;
- paying pensions to eligible retired employees or their beneficiaries as per the Act; and,
- keeping complete books of account detailing all transactions of the fund.

For further details please refer to the legislation at the following website address: http://assembly.nl.ca/Legislation/sr/statutes/m08.htm

Values

The Department of Human Resources has set out the following values and principles to guide it in its pursuit of the Board's mandate

Strategic Focus	Advancing Memorial University's mission by thinking and acting in the best interests of the organization and the workforce; in particular, when developing policies and programs and delivering services.
Innovative	Dedicated to quality, excellence and continuous improvement, the Department will work to ensure the University remains competitive in its human resource management policies and practices by actively seeking and developing best practices, methods and approaches.
Professional	Adhering to high professional standards of quality, competency and conduct, the Department will act with honesty and integrity. It will anticipate and be proactive, collegial and collaborative in its work. It will be fair and equitable and will remain current in professional practice.
Respectful	Considerate, thoughtful and engaged in manner and approach, the Department will exercise the considered judgment of a trusted advisor.
Accountable	Accessible and responsive to stakeholders for results in accordance with policies, standards, commitments and

	principles. The Department will document, measure and report performance and evaluate program effectiveness.
Enabling	Enhancing the ability of stakeholders to function independently by developing policies, programs, processes, tools and technologies with sustainability and self-service in mind.
Transparent	Balancing requests to share information clearly and openly while respecting the security of confidential and personal information entrusted to the Department.

Primary Clients

The primary clients of the Memorial University Pension Plan are:

- full-time permanent employees;
- qualifying contractual employees;
- employees of certain separately incorporated entities of Memorial University;
- retired employees in receipt of pensions; and,
- survivors of eligible employees.

Mission and Vision

The Board of Regents, as trustee of the Fund, is responsible to ensure compliance with the *Memorial University Pensions Act.*

Mission

By 2017, the Memorial University Pension Plan will have ensured the provision of secure, affordable and competitive retirement incomes for employees of Memorial University of Newfoundland.

Measure: Ensured the provision of secure, affordable and competitive retirement incomes

Indicator: Reduced unfunded liability

Vision

The vision of the Memorial University Pension Plan is of stable retirement incomes for participating employees.

Objectives

Issue One: 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 Pension 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 Board must further ensure that the Pension Plan is administered in accordance with the *Memorial University Pensions Act* and other governing legislation.

The following objective, with associated measure and indicators, will be the focus of the Pension Plan for each of the fiscal years ending March 31, 2015, 2016 and 2017 and will be reported upon in each of the respective annual reports:

Objective: By March 31, 2015, the Memorial University Pension Plan will have met its funding objectives including the awarding of monies to eligible retired members or their survivors and the payment of associated administrative expenses.

Measure: Met its funding objectives

Indicators:

1. Collected and invested contributions
2. Eligible retired members and survivors received pension benefits
3. Paid associated administrative expenses

Issue Two: Unfunded Liability

As employer, Memorial University must comply with the pension plan funding requirements of the Newfoundland *Pension Benefits Act, 1997* (PBA). When the Pension Plan experiences funding deficiencies, as measured by periodic actuarial valuations, the University must make additional special payments into the Pension 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. By special provision of the PBA, Memorial University is exempt from the solvency funding requirements to December 31, 201 5. In addition, the University is amortizing past service costs associated with indexing, introduced in 2004, over a remaining period of 30.25 years from March 31, 2014.

The Pension Plan is being funded in accordance with the December 31, 2012 actuarial valuation until such time as the next valuation for funding purposes is filed with the regulatory authorities. The going concern unfunded liability at December 31, 2012 of $292.7 million includes approximately $72.7 million in respect of indexing introduced in 2004. The indexing liability is being paid over a remaining period of 30.25 years from March 31, 2014. The balance of $220 million is being amortized over a 15 year period with special annual payments of 7.2% of pensionable payroll. The special payment for the 2014-2015 fiscal year is estimated to be $22.6 million.

With respect to the unfunded liability, the following objective, with associated measure and indicators, will be the focus for each of the fiscal years ending March 31, 2015, 2016 and 2017 and will be reported upon in each of the respective annual reports:

Objective: By March 31, 2015 Memorial University will have made special payments against the unfunded liability, as per the latest funding valuation, in accordance with legislative requirements.

Measure: Made special payments, as per the latest funding valuation, in accordance with legislative requirements.

Indicator: Made an annual special payment of 7.2% of pensionable payroll towards liability ($22.6 million in 2014 - 2015)

Conclusion

The Memorial University Pension Plan, through the administration of the Department of Human Resources at Memorial University, remains dedicated to the provision of secure, affordable and competitive retirement incomes for employees of Memorial University of Newfoundland.