THE
University of Manitoba
PENSION PLAN (1993)

2023 Pension Committee's Annual Report

A Message from the Chair

I am pleased to present the 2023 Annual Report, which provides important information about the financial status of the Plan and its investment performance. Overall, our Plan realized a gross investment return of 9.3%. On a relative basis, this one-year return underperformed the Plan's benchmark return of 11.8%. Net of the investment and administrative expenses, the rate of return was 8.7%, which is applied to members' contribution accounts. For more detail on the Plan's investment performance, I refer you to the "Plan Performance in 2023" on page 3.

The Pension Committee is pleased to report that the December 31, 2022 actuarial valuation was completed and filed with the regulators in 2023 as required. With the challenging returns of 2022, the Plan's financial position has deteriorated slightly from its most recent assessment from a $2 million deficit as at December 31, 2019 to a $30 million deficit at the end of 2022. This emerging deficit is requiring the University to make special contributions of approximately $3 million per year for 10 years to replenish the Plan's financial position. That being said, the Plan is 98% funded overall on a long-term basis and continues to deliver reliable pension income to Plan members. Since December 31, 2022, the overall market has delivered higher returns while maintaining higher interest rate levels. As such, we expect that the Plan's financial position has improved since the last filed actuarial valuation was prepared. The next Plan valuation is required as of December 31, 2025.

In 2023, we also completed some significant regulatory projects. The Canada Revenue Agency (CRA) approved a change to bring the Plan in line with the requirements of the Income Tax Act while maintaining its hybrid design, effectively closing a chapter on a long-standing funding limitation. The University worked closely with its Union partners to facilitate the successful resolution of this issue. The required Plan amendment was prepared in and approved in 2023, and filed with regulators in early 2024. The required changes to the Plan included the purchase of a group buy-out annuity for a portion of the monthly pension benefit on behalf of eleven pensioners, which was completed in November 2023.

On behalf of the Pension Committee, I encourage you to read this report carefully. Our goal is to provide you with enough helpful information to make informed decisions about your pension benefits and to better understand your Plan. Your pension benefit may be, or may become, one of your largest financial assets and you earn it through your employment with the University.

Mike Emslie
Chair, Pension Committee

Why should you read this report?

The University of Manitoba Pension Plan (1993) belongs to you, as one of its plan members. This report provides an update on the Plan's financial status as of December 31, 2023. It includes key information on performance and investment earnings, as well as Plan developments and changes over the course of the year. We encourage you to read it carefully and get in touch if you have any questions. Remember, while your Plan is a valuable asset, it's important to consider the impact of all retirement income sources, not just your pension, when saving and planning for retirement.

Our commitment

We're committed to being fully transparent about your Plan's operations and financial health. It's our priority to ensure you have the information you need to know how the Plan works, its main advantages and your role as a plan member.

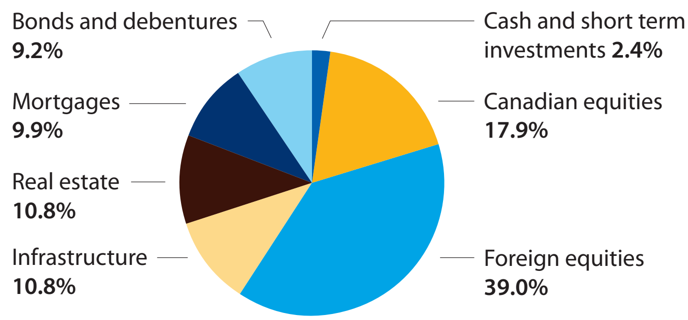
What's inside

Financial Highlights

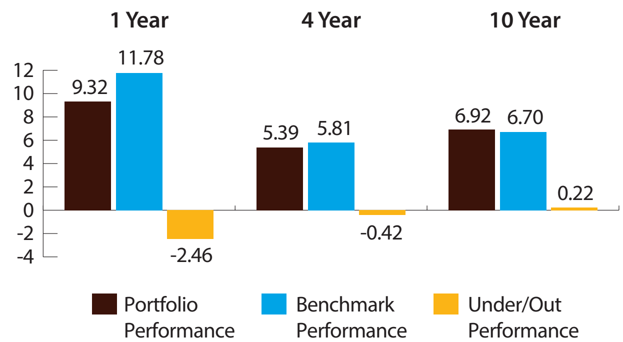
	($ thousands) 2023	2022
Financial Position		
Net Assets Available for Benefits	1,409,500	1,326,094
Pension Obligations	1,410,050	1,339,915
Plan (Deficit) based on accounting valuation as at December 31	(550)	(13,821)
Changes in Net Assets Available for Benefits		
Increase in Assets		
Investment Income	36,333	31,712
Current period change in fair value of investments	86,180	
Employee contributions	31,848	30,901
Employee voluntary contributions	425	692
Employer matching contributions	31,848	30,901
Employer current service funding	4,868	5,285
Employer special payment for unfunded liability	2,887	156
Decrease in assets		
Current period change in fair value of investments		115,810
Benefit payments	102,192	102,791
Group annuity policy premiums	1,057	
Administrative expenses	7,734	6,643
Net increase (decrease) in net assets	83,406	(125,597)

Where are your pension contributions invested? (the Plan's asset mix)

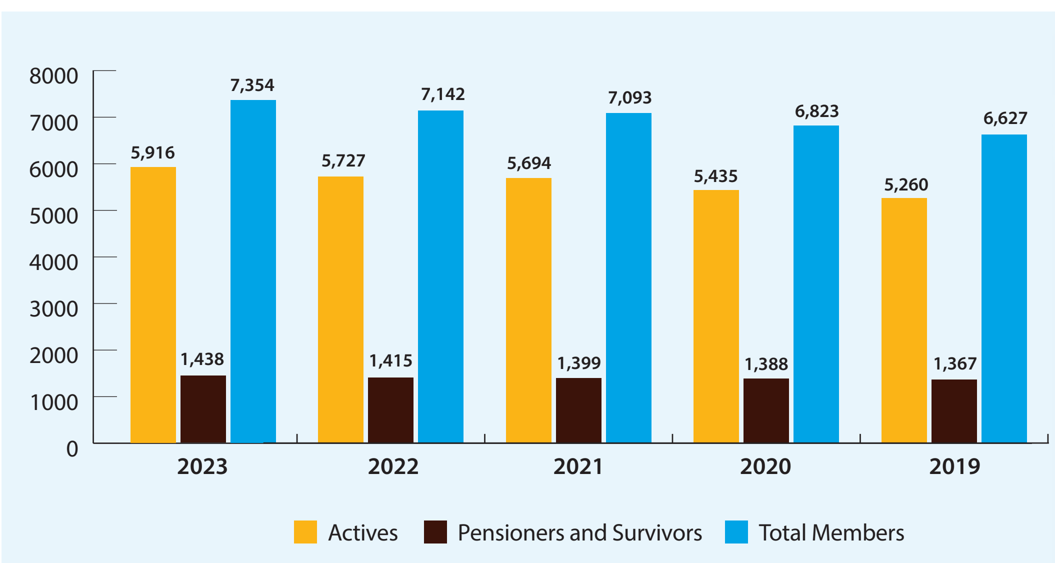
as at December 31, 2023

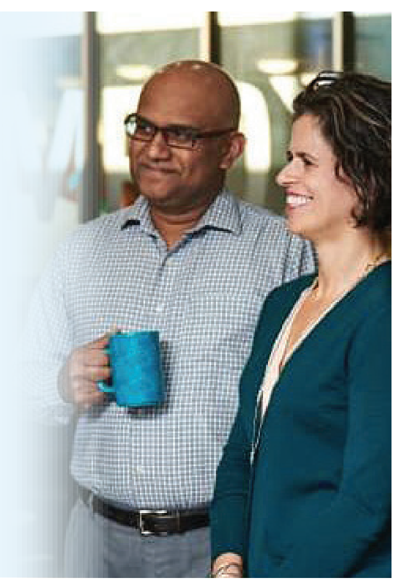


Gross annualized returns (%)



Membership Statistics





Plan Performance in 2023

The gross investment return of the 1993 Plan assets as indicated in the graph on page 2 was 9.3% for the fiscal year ending December 31, 2023, which trailed the policy benchmark return of 11.8%. Although exceeding the benchmark remains an investment objective of the Plan, strong absolute returns are essential to fund Plan liabilities and ensure long-term financial stability. The Plan's investment approach aims to reduce risk, which can lead to underperformance in good years and outperformance in bad ones. Therefore, the underperformance relative to the policy benchmark, despite a positive absolute return for the year, was not unexpected. The annualized returns over the past two-, three-, and four-year periods were 1.5%, 4.9% and 5.4% respectively.

After a difficult 2022, global markets rebounded in 2023. A major reason for the resurgence was monetary policy pauses by the major central banks and increasing expectations of rate cuts in 2024. Another important factor was the outperformance of a handful of mega cap U.S. growth stocks boosted by the market trend in Artificial Intelligence. Heading into 2024, the likelihood of recession, the trajectory of inflation, and the extent of rates cuts will be the key focus areas for the markets.

Contributing to the Plan's strong absolute performance were US equity managers Aristotle and TD Asset Management (TDAM). The TDAM passive strategy performed in line with the S&P 500 Index of 22.9%, while Aristotle, a value manager, returned 17.2%. The third US equity manager, Wellington, delivered a very modest 5.5%, on account of their sector and stock allocation. Canadian equity manager, PH&N, also underperformed in the year trailing the S&P/TSX Composite Index of 11.8% by 3.6%.

The TD Greystone real estate fund returned -0.1% for the year, and the Canada Life fund returned -3.0%, as higher interest rates led to increased discount rates affecting property valuations in both portfolios.

The two international equity managers Burgundy and Mawer returned 15.1% and 14.2% respectively, both below the policy benchmark, the MSCI EAFE Index of 15.7%. Burgundy was hurt by a large overweight to the Consumer Staples sector. Mawer underperformed on an account of weak stock selection within Financial stocks. The Plan's bond manager, MFS, outperformed its benchmark, the FTSE Canada Universe Overall Bond Index, returning a very compelling 7.2%, led by a decrease in interest rates in the fourth quarter of the year. Decreasing interest rates also benefited the Plan's two mortgage portfolios, TD Greystone and Canada Life. They returned 8.2% and 5.7% respectively, with TD Greystone exceeding the benchmark by 2.2%, while Canada Life slightly trailed. Infrastructure managers, Brookfield and IFM, delivered solid one-year returns of 5.9% and 7.7% respectively. The managers benefited for the ongoing demand for stable cash-flow producing real assets, though with valuations slightly hampered by higher discount rates.

During 2023, as part of the long-term implementation plan, the IFM infrastructure mandate was fully funded on January 3, achieving the Plan's long-term asset mix as indicated in the table below. Infrastructure now represents 11% of Plan assets. Looking forward to 2024, the Investment Sub-Committee will work with an independent expert to conduct an Asset Liability Modeling study to review the current target asset mix and explore potential enhancements.

2023 University of Manitoba Pension Plan (1993) Investment Performance

Investment Mandate and Manager		Assets Invested		Target Asset Mix (%)***	1 Year Return (%)	Index Return (%)*	Value Added (%)
		$ Millions	%				
Canadian Bonds:	MFS Investment Management	131	9	10.75	7.23	6.69	0.54
Mortgages:	TD Greystone	74	5	5.5	8.18	6.00	2.18
	Canada Life	66	5	5.25	5.69	6.00	-0.31
Real Estate:	TD Greystone	80	6	5	-0.10	-0.41	0.31
	Canada Life	72	5	5	-3.00	-0.41	-2.59
Canadian Equity:	PH&N	111	8	9	8.23	11.75	-3.52
	TD Asset Management	140	10	9	11.76	11.75	0.01
EAFE Equity:**	Mawer Investment Management	131	9	9.5	14.24	15.66	-1.42
	Burgundy Asset Management	135	10	9.5	15.12	15.66	-0.54
US Equity:**	Aristotle Capital Management	97	7	6.5	17.19	22.90	-5.71
	Wellington Management Company	99	7	6.5	5.54	22.90	-17.36
	TD Asset Management	96	7	6.5	22.78	22.90	-0.12
Infrastructure:	Brookfield	78	6	5	5.95	8.27	-2.32
	IFM	74	5	5	7.67	8.27	-0.60

Source: BNY Mellon

*Canadian Bonds = FTSE Canada Bond Universe Index, Mortgages = Bond 60% + FTSE Canada Mid Term Overall Bond 40% + .5%, Real Estate = REALpac/IPD Cdn Property Index, Canadian Equity = S&P/TSX Composite Index, NNA Equity = MSCI EAFE Index (CAD), US Equity = S&P 500 Total Return Index (CAD), Infrastructure = CPI + 5% (per annum).
**All Returns are calculated in Canadian dollars. For non-Canadian dollar asset classes the actual returns include the impact of currency.
*** Target Asset Mix includes 2% for cash account

Plan Funding: What Does the University of Manitoba Pay?

In accordance with the Plan Document (the Plan rules), the University is responsible for funding the Plan by matching members' contributions, and making any additional contributions required under the *Pension Benefits Act* (Manitoba). To this effect, an actuarial valuation of the Plan is conducted periodically to determine the Plan's financial position, establish the minimum and maximum permitted contributions, and provide the actuarial certifications required under the *Pension Benefits Act* (Manitoba) and the federal *Pension Benefits Act*.

The Plan's financial position is made up of investment assets that are used to fund benefits to Plan members (promises made under the Plan terms). If the value of the Plan's liabilities (or promises) exceed the value of the assets set aside for benefits, then the Plan is in a deficit, and the University is responsible for funding the deficit by way of special payments. This can happen when financial markets experience a downturn.

In addition, the University must pay for the cost of benefits accruing in a particular year, in two parts. The first part is the University matching your contributions to the Plan, dollar for dollar. The second part is required when the value of the benefits accrued under the Plan, for a given year, exceeds the value of your contributions plus the University's matching contributions. This additional contribution is called the current service cost, and it must be contributed by the University in its entirety.

The actuarial valuation also includes the solvency or wind-up test. The University elected an exemption under the Solvency Exemption for Public Sector Pension Plans Regulation in 2010, which removes the requirement for Public Sector Pension Plans to fund solvency special payments that would otherwise be required under the *Pension Benefits Act* (Manitoba). Regardless, this test must still be performed to show whether the Plan is solvent on this basis.

The table shows the Plan's long-term (or going concern) financial position, per the latest actuarial report. It also shows the minimum University contribution requirements, as well as the result of the most recent solvency test (as at December 31, 2022).

The next actuarial valuation is required at December 31, 2025, to comply with the filing requirement of the *Pension Benefits Act* (Manitoba).

Highlights of the December 31, 2022 Actuarial Funding Valuation	($ thousands)
Going Concern	
Going concern assets	$1,326,094
Going concern liabilities	$1,355,795
Going concern surplus/(unfunded liability)	($29,701)
Going concern ratio (defined benefit only)	0.978
Going concern measures the financial position of our Plan assuming it will continue to operate indefinitely	
Solvency Valuation	
Solvency assets net of provision for expenses	$1,336,578
Solvency liabilities	$1,285,289
Solvency excess/(deficiency)	$51,289
Solvency ratio (defined benefit only)	1.043
Solvency measures the Plan's health assuming all benefits must be settled as at December 31, 2022	
Minimum University Contributions (Annual Estimate)	
Matching member contributions	$31,804
Current service cost	$4,795
Minimum special payments	$2,887
Total minimum University contribution	$39,486
Employee Contributions	$31,804
Wind-up Financial Position	
Market value of assets net of provision for expenses	$1,323,569
Wind-up liability	$1,285,289
Wind-up excess/(deficiency)	$38,280

Visit our website

For more relevant content and intuitive, user-friendly navigation, check out our website at **umanitoba.ca/pension**

Plan Governance

In 2023, there were three new appointments to the Pension Committee: Charles Mossman, Jamie Gerlach and René Ouellette. The Pension Committee takes this moment to thank and acknowledge the years of service and many contributions of Jeff Leclerc, David Stangeland and Bill Reid to the Pension Committee.

The overall purpose of the Pension Committee includes:

- monitoring the operations of the Plan,
- taking responsibility for the Plan's administration,
- ensuring compliance with all applicable legislation and
- acting in an advisory capacity to the Board of Governors.

An important component of monitoring the Plan is risk management and oversight. This includes investment of the Plan's assets and all operational aspects of the Plan's administration. The Pension Committee has implemented an Enterprise Risk Management (ERM) program to ensure the identification and management of the Plan's key risks. The top three risks identified include investment manager performance, data theft/privacy breach and loss of key personnel. Risk management and oversight is a continuous process and a major priority for the Pension Committee, the Audit Subcommittee, the Governance Subcommittee, and the Investment Subcommittee.

The governance requirements of the Plan demand the support of external vendors. On behalf of the Plan, the Pension Committee has service contracts in effect with the following vendors:

- CIBC Mellon – custodial and corporate trustee services
- BNY Mellon – investment performance reporting and risk analytic services
- Eckler Ltd – actuarial consulting services
- KPMG – auditing and tax services
- Aon – investment monitoring services

The triennial review of the Plan's Governance Document occurred in 2023 and will be finalized in 2024. The Governance Document provides direction to the Pension Committee in discharging its fiduciary duties. Each Pension Committee member signs a Code of Conduct and a Conflict-of-Interest Disclosure Form annually.

At December 31, 2023, the 1993 Pension Committee members were:

Naomi Andrew, B.A. (Advanced). LL.B. [2]
Vice-President (Administration)
(Appointed by Position)

Dr. Shiu-Yik (Yik) Au, MBA, PhD, CFA [3]
Assistant Professor, Finance
(Elected from Active Members)

Carla Buchanan, CPA, CA, CIM® [1&3]
Director, Financial Reporting, Financial Services
(Appointed by the Board)

Robin Campbell, CPA, CA [1&3]
Director of Investments, Treasury Services
(Appointed by the Board)

Will Christie, B.Sc (ME), B.Sc (CS) [2&3]
Information Technology Specialist
(Elected from Active Members)

Mike Emslie, CPA, CA, CIA, CISA [1&3]
Chief Financial Officer/Comptroller
(Appointed by Position)

Jamie Gerlach, B. Comm, CPHR [2]
Director, Total Compensation & HR Systems
(Appointed by the Board)

Charles Mossman, BA(Hon.), MBA, PhD (Finance), FCPA, FCGA, CFA [1&3]
Retired, Asper School of Business
(Elected from Non-Active Members/Retirees)

René Ouellette, B.A., B. Comm [2]
Associate Vice-President (Human Resources)
(Appointed by Position)

Shannon Patershuk, FCIA, FSA, CERA, MBA [3]
Retired
(Appointed by the Board)

External Investment Subcommittee Members
(Appointed by the Pension Committee):

Greg Ozechowsky, CIM®, FCSI, PFP
Michael Kurtas, MBA, CFA, CAIA

[1] also Audit Subcommittee Member
[2] also Governance Subcommittee Member
[3] also Investment Subcommittee Member

Important Information for Pensioners

The Pensioner Account

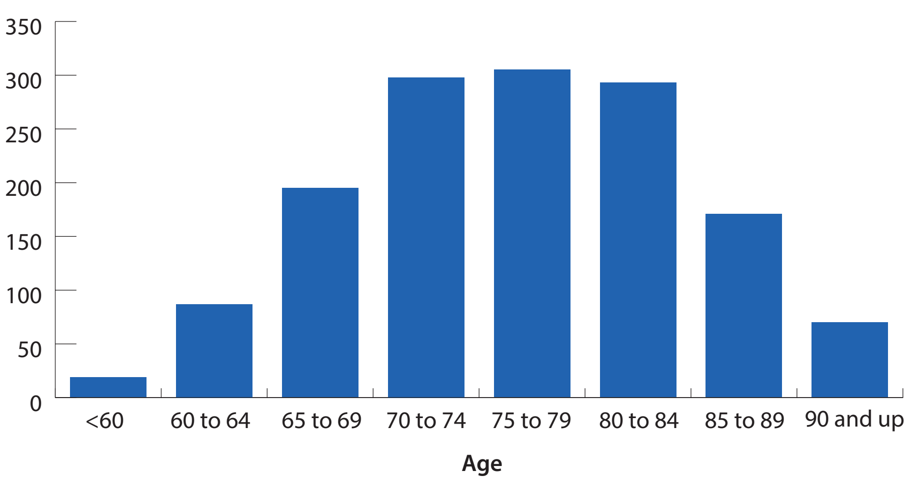
At retirement, Plan members can choose to collect a monthly pension from the Plan. Upon electing this option, the member's pension entitlement is transferred to the Pensioner Account.

As part of the actuarial valuation, the actuary reviews the Pensioner Account assets versus the liabilities for all pensioners. If the actuary determines that the assets are sufficient to cover a full or partial pension increase (based on the Plan's financial position), then an increase in pension will be provided at the following April 1. Due to the continuing shortfall of the Plan and the Pensioner Account, there was no increase granted on April 1, 2023.

The most recent valuation of the Pensioner Account was at December 31, 2022, and the results (based on the market value of assets) were as follows:

	($ thousands)
Assets at market value	$359,083
Liabilities	$420,920
Excess/Shortfall	($61,837)

Number of Pensioners



Have questions or need more information?

Contact the Pension Office at:

Email:
Pension.Office@umanitoba.ca

Phone: (204) 474-6661

Fax: (204) 474-7640

Or visit our website:
umanitoba.ca/pension

If you require an alternate format for accessibility reasons, please contact the Pension Office.

Final word

You, your spouse, beneficiary or agent have the right to examine any official document relating to the Plan that is filed with the Office of the Superintendent – Pension Commission (Manitoba), including the most recent copies of the following: annual information return; actuarial valuation report and cost certificate; and the statement of investment policies and procedures. These documents are available within 30 days of filing a written request (one per year) with the Plan administrator, who may charge a reasonable fee for providing copies of any of these documents.

The University of Manitoba Pension Plan (1993) – Registration No. 0695486