



2019 Pension Committee's Annual Report

A Message from the Chair

I'm pleased to present the 2019 Annual Report, which provides important information about the Plan's financial operation and investment performance.

Overall, our Plan did well, realizing a gross investment return of 14.25%. However, the investments underperformed on a relative basis to the Plan's benchmark return of 15.85%. Net of the investment and administrative expenses, the rate of return was 13.66%, which was applied to members' accounts.

The underperformance was largely due to the Plan's Canadian equity managers. The Plan's investment consultant advised the Pension Committee to review replacements for Guardian Capital, based on concerns about stock selection and suitability of a growth strategy in Canada. The Pension Committee terminated Guardian Capital and replaced them with a Canadian equity index fund from TD Asset Management. The index fund offers the Plan index-like returns with low investment management fees and liquidity, while the Pension Committee evaluates its long-term Canadian equity investment strategy.

As part of the Pension Committee's oversight and governance, it met with all vendors, reviewed governing documents and undertook, with the Investment Subcommittee, an Asset Mix Study in 2019. The Asset Mix Study reviewed the Plan's investment strategy, its percentage target ranges for each of its chosen investment mandates, how much risk the Pension Committee is willing to accept and the resources available to thoroughly monitor the Plan's investments. The Pension Committee approved recommendations from the Asset Mix Study in December, and work to implement the recommendations started in 2020.

The last Actuarial Valuation was filed with the applicable pension regulators as at December 31, 2017. As required by the Pension Benefits Act, the next Actuarial Valuation must be completed before December 31, 2020.

On behalf of the University and 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 and to help you better understand and appreciate the value of the pension benefits you are earning through your employment relationship with the University.

Lynn Zapshala-Kelln
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, 2019. 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.

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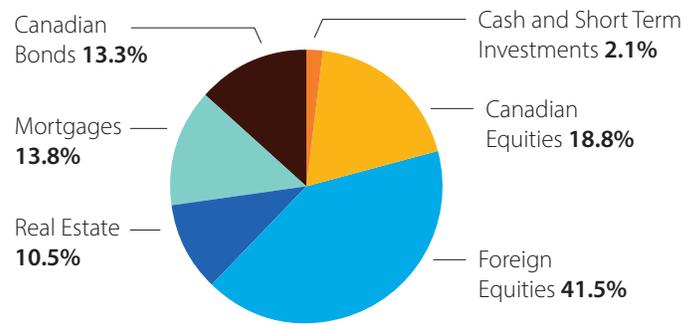
Financial Highlights

	(\$ Thousands)	
	2019	2018
Financial Position		
Net assets available for benefits	1,304,375	1,181,099
Pension obligations	1,286,807	1,200,351
Plan surplus (deficit) based on accounting valuation as at December 31	17,568	(19,252)
Changes in Net Assets Available for Benefits		
Increase in assets		
Investment income	32,262	27,307
Current period change in fair value of investments	133,733	-
Employee contributions	26,961	26,635
Employee voluntary contributions	750	1,146
Employer matching contributions	26,961	26,635
Employer special payment	12,000	-
Employer current service funding	3,127	3,091
Decrease in assets		
Current period change in fair value of investments	-	(29,807)
Benefit payments	(105,148)	(98,637)
Administrative expenses	(7,370)	(7,661)
Net increase (decrease) in net assets	123,276	(51,291)



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

as at December 31, 2019



For the Plan's complete audited financial statements, go to: www.umanitoba.ca/pension

Membership Statistics



Plan Performance in 2019

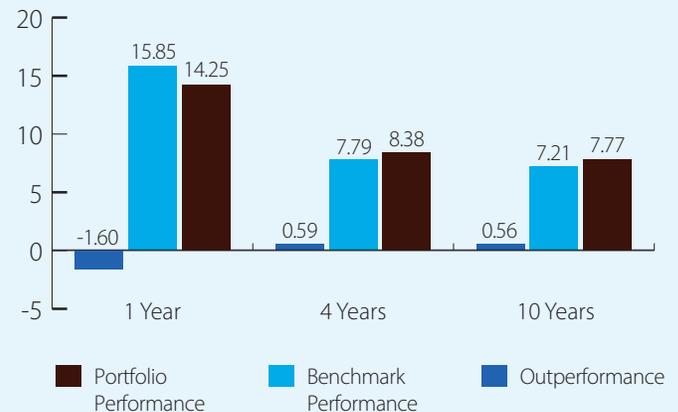
The Investment Subcommittee recognizes the many contributions of former member Mr. Alan Brownridge, who joined in 2013 and resigned in September of 2019.

The year 2019 proved to be a good year in the investment markets, particularly in equity returns around the globe. Given the Plan's large allocation to equities, the Plan benefited from these assets the most and returned 14.25% for the year ending December 31, 2019. This helped offset last year's flat performance, and annualized returns over 2 to 4 years are back to levels that support the Plan's investment return objectives. On an absolute basis, these returns are very beneficial as it improves the overall funding ratio of the Plan.

On a relative basis, overall performance lagged the Plan's benchmark return of 15.85%, due mostly to the poor performance of one manager, Foyston Gordon Payne. The Investment Subcommittee is closely monitoring this portfolio. The underperformance was due to holdings in the Energy and Materials sectors, and lack of holdings in some of the companies that drove a lot of the performance in the S&P/TSX Index.

The Plan's various portfolios in other asset classes all performed close to or above their benchmarks. Real estate had particularly strong performance, with both the TD Greystone (Merger of Greystone with TD Asset Management) and Canada Life (Great West Life) portfolios adding value above their targets. U.S. equities was the asset class with the highest investment returns with all three managers providing a return in excess of 24.50% over the past year. In fact, with the exception of Canadian equities, the Investment Subcommittee was pleased with the investment performance of Plan assets.

Gross annualized returns (%)



During the year an asset mix study was completed, which will assist in determining an optimal asset mix going forward that will help the Plan pay for current and future pension liabilities. The single most important driver of investment returns is asset mix, which can account for as much as 90% of a portfolio's performance through various market cycles. The correlations of different asset classes to one another are critical elements to the overall diversification of the portfolio. The results of the asset mix study recommended increasing the allocation of real assets from 10% to 20%. The Pension Committee approved adding an allocation of 10% of Plan assets into infrastructure investments, funded by reductions to equities and fixed income. Infrastructure characteristically has consistent cash yields, returns, and has lower correlations to both GDP and the equity markets. This is because the nature of its income tends to be longer-term contracted revenue streams. The Investment Subcommittee is looking at the options of adding this asset class to the Plan's portfolio of assets.

With whom are your pension contributions invested? (Investment Mandate Type)	Assets Invested		Target Asset Mix (%)***	1 Year Return (%)	Index Return (%)*	Value Added (%)
	\$ Millions	%				
Canadian Bonds: MFS Investment Management	175	14	14.5	6.76	6.87	-0.11
Mortgages: TD Greystone	122	10	9.75	5.09	6.87	-1.78
Canada Life	56	4	4.75	4.17	6.87	-2.70
Real Estate: TD Greystone	70	5	5	8.65	6.68	1.97
Canada Life	65	5	5	9.09	6.68	2.41
Canadian Equity: Foyston, Gordon & Payne Inc.	124	10	10	11.02	22.88	-11.86
TD Asset Management	122	9	10	n/a	22.88	n/a
EAFE Equity**: Mawer Investment Management	109	8	7.5	15.94	16.45	-0.51
Burgundy Asset Management	95	7	7.5	18.25	16.45	1.80
US Equity**: Aristotle Capital Management	68	5	5	25.69	24.84	0.85
Wellington Management Company	139	11	10	24.67	24.84	-0.17
J.P. Morgan Asset Management	135	10	10	24.52	24.84	-0.32

* Canadian Bonds and Mortgages = FTSE Canada Universe Overall Bond Index, Canadian Equity = S&P/TSX Composite, NNA Equity = MSCI EAFE (CAD), US Equity = S&P 500 Total Return (CAD), Real Estate = REALpac/IPD Cdn Property Index. | ** 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 1% for cash account, new asset mix approved in December 2019 not yet implemented.

What Does the University of Manitoba Pay? (Plan Funding)

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 Income Tax Act.

The Plan's financial position is made up of assets set aside to deliver benefits and "liabilities", which represent the value of the 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, 2017).

The next actuarial valuation is required at December 31, 2020, to comply with the filing requirement of the *Pension Benefits Act* (Manitoba).



Highlights of the December 31, 2017 Actuarial Funding Valuation	(\$,000)
Going Concern	
Going concern assets	\$1,232,390
Going concern liabilities	\$1,223,263
Going concern surplus/(unfunded liability)	\$9,127
Going concern ratio (defined benefit only)	1.008
Going concern measures the financial position of our Plan assuming it will continue to operate indefinitely	
Solvency/Wind-up Valuation	
Solvency/Wind-up assets net of provision for expenses	\$1,230,580
Solvency/Wind-up liabilities	\$1,325,599
Solvency/Wind-up excess/(deficiency)	(\$95,019)
Solvency ratio (defined benefit only)	0.903
Solvency/Wind-up measures the Plan's health assuming all benefits must be settled as at December 31, 2017.	
Minimum University Contribution (Annual Estimate)	
Matching member contributions	\$27,585
Current service cost	\$3,111
Minimum special payments	\$0
Total minimum University contribution	\$30,696
Employee Contributions	\$27,585

Visit our website

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

Plan Governance

The Pension Committee takes this moment to thank and acknowledge the nine years of service of Dr. George Baldwin on the Pension Committee. Additionally, Dr. Baldwin served for many years as part as a Trustee of the Plan, and his experience and institutional memory has been a huge benefit to the Plan and all its members.

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.

The University of Manitoba is the funding sponsor. 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

Aon – investment monitoring services

Eckler Ltd – actuarial services

KPMG – auditing services

The Pension Committee has three sub-committees assigned with specific focus in administering the Pension Plan – the Investment, Audit and Governance subcommittees. The subcommittees report to the Pension Committee on their activities to ensure that the Pension Committee works together in administering the governance and operational duties of your Plan.

In 2019, the Pension Committee completed the Pension Plan Administrator Governance Self-Assessment Questionnaire developed by the Canadian Association of Supervisory Pension Authorities. A key takeaway was to ask how the Pension Committee is dealing with major risks. The Pension Committee engaged KPMG as a risk facilitator to start the development of a matrix of risks. This will include rating key risks, in terms of their probability of occurring and the impact on the Plan.

At December 31, 2019, the Pension Committee members were:

Dr. W. George Baldwin³

Retired Professor, Chemistry
(Elected from Non-Active Members/Retirees)

Will Christie, B.Sc (ME), B.Sc (CS)²

Information Technology Specialist
(Elected from Active Members)

Tom Hay, CPA, CA (Vice Chair)^{1&2}

Comptroller, Financial Services
(Appointed by Position)

Jeff Leclerc, B.Ed., M.Ed., C.Dir.^{2&3}

University Secretary
(Appointed by the Board)

Janice Martin, CPA, CA, CIA, CRMA (Secretary)¹

Director, Audit Services
(Appointed by the Board)

Lance McKinley, CPA, CA³

Director, Treasury Services
(Appointed by the Board)

Dr. Cameron Morrill, FCPA, FCGA¹

Associate Professor, Accounting and Finance
(Elected from Active Members)

Darlene Smith, B.Comm, CCP, CPHR¹

Associate Vice-President (Human Resources)
(Appointed by Position)

Dr. David Stangeland, PhD, B. Comm, CPA, CMA³

Associate Dean, Professional Programs (MBA, MFin, Executive Education)
Professor of Finance
(Appointed by the Board)

Lynn Zapshala-Kelln, B.Admin, CPA, CGA (Chair)³

Vice-President (Administration)
(Appointed by Position)

External Investment

Subcommittee Members

(Appointed by the Pension Committee):

Wayne Anderson

John Smith

Greg Ozechowsky

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 total account balance – and any pension guarantee funding required, if applicable – is transferred to the Pensioner Account.

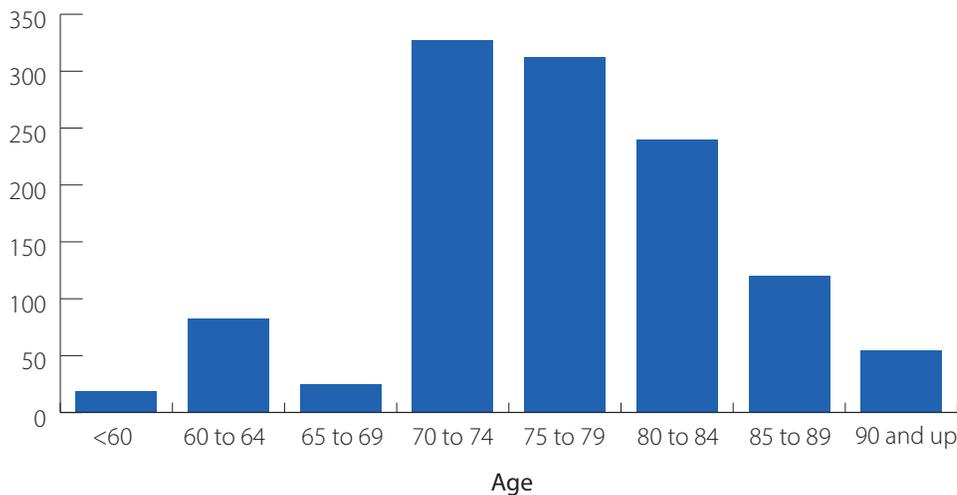
As part of the actuarial valuation, the actuary reviews the Pensioner Account assets versus the liabilities for all pensioners. If the actuary determines that the assets are sufficient to cover a full or partial pension increase (based on the Plan's financial position), then an increase in pension will be provided at the following April 1. The funded position of the Plan and the Pensioner Account were deemed insufficient to warrant an increase on April 1, 2020.

The most recent valuation of the Pensioner Account was at December 31, 2017, and the results (based on the market value of assets) were as follows:

	(\$ Thousands)
Assets at market value	\$335,874
Liabilities	\$393,269
Excess/Shortfall	(\$57,395)



Number of Pensioners



Have questions or need more information?

Contact the Pension Office at:

Email: pension-admin@lists.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