THE
University of Manitoba
PENSION PLAN (1993)

2020 Pension Committee's Annual Report

A Message from the Chair

I am pleased to present the 2020 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 6.85%. The investments under-performed on a relative basis to the Plan's benchmark return of 8.73%. Net of the investment and administrative expenses, the rate of return was 6.39%, which is applied to members' contribution accounts. For more detail on the Plan's investment performance, I refer you to the "Plan Performance in 2020" on page 3.

The complications from COVID-19 affected how the Pension Office provided customer service to plan members. The Pension Office saw an increase in business activity as more plan members nearing retirement questioned their retirement options, including when to retire in the COVID-19 environment.

Effective December 1, 2020, the Canadian Institute of Actuaries prescribed rule changes for all Canadian pension plans with defined benefit formulae. The rule changes refer to the assumed age of retirement and interest rate assumptions used in lump sum calculations. For our Plan, if you transfer your lump sum benefit out of the Plan without being eligible for a Supplementary Pension or you choose to take a monthly lifetime annuity from the Plan, the revised commuted value standards will not affect you. In response to the rule changes the University amended the Plan to ensure that the assumed age of retirement has no negative impact on lump sum calculations. This amendment was supported by the Staff Benefits Committee, as well as the participating Unions. The second change regarding interest rate assumptions used in the lump sum calculations could not be avoided. We estimate the impact of this change will be a 1% to 3% reduction in the total lump sum calculation for plan members transferring their pensions out of the Plan when they retire.

The last Actuarial Valuation Report was filed with the Office of the Superintendent - Pension Commission and the Canada Revenue Agency as at December 31, 2019. Results are found under "What Does the University of Manitoba Pay?" on page 4. As required by the *Pension Benefits Act* the next Actuarial Valuation Report must be completed before December 31, 2022. The Plan could choose to file a Valuation at an earlier date.

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 and better understand your Plan. We want you to be aware of the value of the pension benefits that you are earning through your employment with the University.

Lance McKinley
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, 2020. 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.

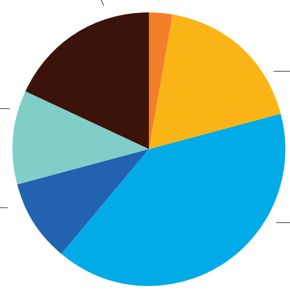
What's inside

Financial Highlights

	($ Thousands)	
	2020	**2019**
Financial Position		
Net assets available for benefits	1,341,721	1,304,375
Pension obligations	1,349,144	1,286,807
Plan (deficit) surplus based on accounting valuation as at December 31	(7,423)	17,568
Changes in Net Assets Available for Benefits		
Increase in assets		
Investment income	30,746	32,262
Current period change in fair value of investments	56,499	133,733
Employee contributions	27,749	26,961
Employee voluntary contributions	67	750
Employer matching contributions	27,749	26,961
Employer special payment	-	12,000
Employer current service funding	4,644	3,127
Employer special payment for unfunded liability	156	-
Decrease in assets		
Benefit payments	103,864	105,148
Administrative expenses	6,400	7,370
Net increase in net assets	37,346	123,276

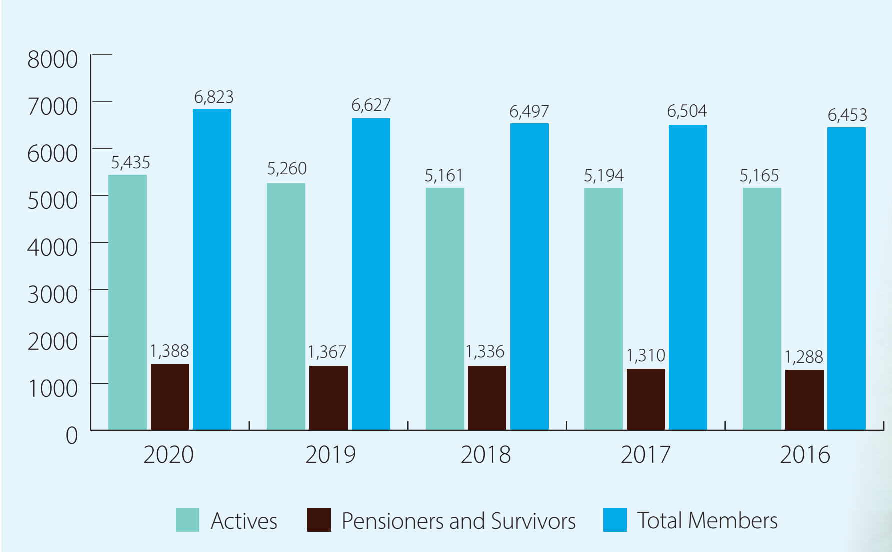
Where are your pension contributions invested? (the Plan's asset mix)

as at December 31, 2020



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

Membership Statistics



Plan Performance in 2020

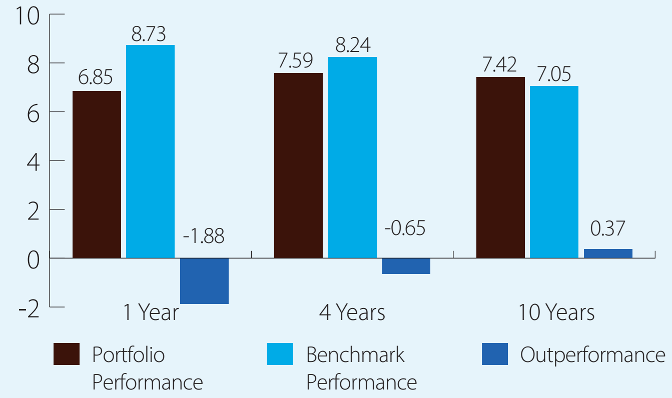
The global pandemic, due to COVID-19, made way for a year of volatile and uncertain investing. Equity markets crashed in late March only to be offset by a sustained rally to the end of the year, which resulted in many stock market indices being at all-time highs. Interest rates fell across the curve, increasing the value of existing bonds but making further returns in fixed income challenging going forward. Real estate holdings were stressed, particularly investments in retail space and office buildings. Intuitively, most people that see the effect of the pandemic on the economy would suspect the investment performance of pension plan assets to reflect these ongoing challenges, but the one-year gross investment return of the 1993 Plan assets was 6.85%.

On an absolute basis, and with respect to the investment returns needed to fund the Plan's liabilities, this was an acceptable return. However, relative to the Plan's benchmark return of 8.73%, it was disappointing. The under-performance was due to several factors; Foyston, Gordon and Payne's Canadian equity portfolio lagged the S&P/TSX index by as much as 16% in June 2020, shortly before they were terminated; the Plan's U.S. equity managers lacked the momentum stocks that led much of the rally in the U.S.; and the mortgage funds were benchmarked to a higher performing bond index, which has been changed in 2021.

There was also a lot of positive performance from Plan assets. Investments in Non-North American equities through Mawer and Burgundy performed extremely well, with both funds well ahead of the MSCI EAFE benchmark. The bond portfolio with MFS returned 9.32% for the year, ahead of its benchmark and contributing nicely to the fund. Finally, real estate assets performed well, with both portfolios ahead of their benchmarks and with the Canada Life portfolio generating a positive return in a very challenging environment. This was due to the fund's overweight to industrial and multi-family residential properties, the two best performing commercial real estate sectors in Canada.

During the year, the Investment Subcommittee recommended the hiring of RBC Philips Hager North (PH&N) to invest assets in their low-volatility Canadian equity portfolio. The Investment Subcommittee continued to work on advancing the Plan's allocation to infrastructure investments, and plan to make commitments to that asset class in the upcoming year. Finally, significant work was completed and will continue on the Statement of Investment Policies and Procedures (SIP), the governing document of Plan investments. In the upcoming year a new SIP is to be adopted, and one of the key new areas is addressing Environmental, Social and Governance issues within the policy's investment program.

Gross annualized returns (%)



2020 University of Manitoba Pension Plan (1993) Investment Performance

Investment Mandate and Manager		Assets Invested $ Millions	Assets Invested %	Target Asset Mix (%)***	1 Year Return (%)	Index Return (%)*	Value Added (%)
Canadian Bonds:	MFS Investment Management	252	19	20.75	9.32	8.68	0.64
Mortgages:	TD Greystone	79	6	5.5	6.67	8.68	-2.01
	Canada Life	67	5	5.25	6.39	8.68	-2.29
Real Estate:	TD Greystone	67	5	5	-1.88	-3.78	1.90
	Canada Life	66	5	5	2.51	-3.78	6.29
Canadian Equity:	PH&N	114	8	9	n/a	n/a	n/a
	TD Asset Management	129	10	9	5.68	5.60	0.08
EAFE Equity**:	Mawer Investment Management	132	10	9.5	13.46	6.38	7.08
	Burgundy Asset Management	134	10	9.5	10.64	6.38	4.26
US Equity**:	Aristotle Capital Management	88	7	6.5	13.90	16.32	-2.42
	Wellington Management Company	94	7	6.5	10.16	16.32	-6.16
	TD Asset Management	97	7	6.5	n/a	n/a	n/a

* Canadian Bonds and Mortgages = FTSE Canada Bond Universe Index, Canadian Equity = S&P/TSX Composite Index, NNA Equity = MSCI EAFE Index (CAD), US Equity = S&P 500 Total Return Index (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 2% for cash account, interim asset mix approved in July 2020

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 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, 2019).

The next actuarial valuation is required at December 31, 2022, to comply with the filing requirement of the *Pension Benefits Act* (Manitoba).

Highlights of the December 31, 2019 Actuarial Funding Valuation	($,000)
Going Concern	
Going concern assets	$1,304,375
Going concern liabilities	1,305,982
Going concern surplus/(unfunded liability)	(1,607)
Going concern ratio (defined benefit only)	0.999
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	$1,303,258
Solvency liabilities	$1,403,606
Solvency excess/(deficiency)	($100,348)
Solvency ratio (defined benefit only)	0.902
Solvency measures the Plan's health assuming all benefits must be settled as at December 31, 2019.	
Minimum University Contribution (Annual Estimate)	
Matching member contributions	$29,004
Current service cost	$4,713
Minimum special payments	$156
Total minimum University contribution	$33,873
Employee Contributions	$29,004
Wind-up Financial Position	
Market value of assets net of provision for expenses	$1,302,524
Wind-up liability	$1,403,606
Wind-up excess/(deficiency)	($101,082)

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Plan Governance

In 2020, there were several changes in Pension Committee membership including the departure of the Vice-President (Administration), Lynn Zapshala-Kelln and retirement of the Comptroller, Tom Hay. Will Christie and Shiu-Yik Au were elected as the two active voting representatives. Bill Reid was acclaimed as the non-active voting representative. Carla Buchanan was appointed by the Board of Governors and Naomi Andrew was appointed by position. The number of external appointments to the Investment Subcommittee were reduced from four to three. A key focus during the year and into 2021 is succession planning.

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 Pension Committee has three subcommittees assigned with specific focus in administering the Pension Plan – the Investment, Audit and Governance subcommittees. The subcommittees meet regularly and 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. The Pension Committee engages in on-going education in support of executing its fiduciary responsibilities.

A triennial review of the Plan's Governance Document was completed during the year and the Board of Governors approved amendments on December 1. The Governance Document provides direction to the Pension Committee in discharging its fiduciary duties.

The Pension Committee continued work with KPMG as a risk facilitator to develop a risk register to identify the Plan's major risks and work on a strategy of how to manage them. This will include rating key risks, in terms of their probability of occurring and the impact on the Plan. With the onset of COVID-19 the project has been deferred for completion in 2021.

At December 31, 2020, the Pension Committee members were:

Naomi Andrew, B.A. (Advanced). LL.B.
Acting Vice-President (Administration)
General Counsel and Associate Vice-President
(Fair Practices & Legal Affairs)
(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]
Manager, Financial Reporting, Financial Services
(Appointed by the Board)

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

Jeff Leclerc, B.Ed., M.Ed., C.Dir. (Vice-Chair) [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, CA (Chair) [1&3]
Director, Treasury Services
(Appointed by the Board)

Bill Reid M.Sc. [1&3]
Retired, Information Services and Technology
(Elected from Non-Active Members/Retirees)

Darlene Smith, B.Comm, CCP, CPHR[2]
Associate Vice-President (Human Resources)
(Appointed by Position)

Dr. David Stangeland, PhD, B. Comm, CPA, CMA[3]
Associate Dean, Professional Programs (MBA, MFin, Executive Education)
Professor of Finance
(Appointed by the Board)

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

Greg Ozechowsky, CIM®, FCSI, PFP
John Smith, CIM®
Garry Steski, CFA, CPA, CMA

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

Important Information for Pensioners

The Pensioner Account

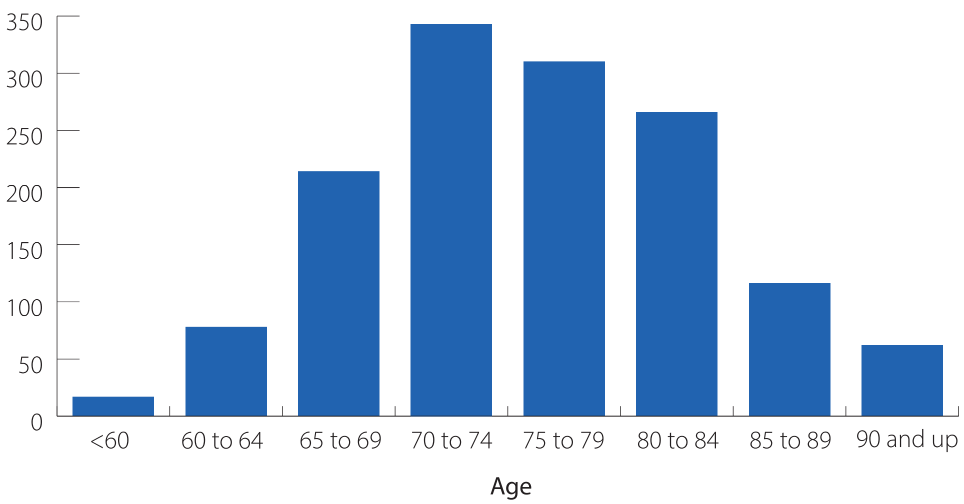
At retirement, Plan members can choose to collect a monthly pension from the Plan. Upon electing this option, the member's total account balance – and any pension guarantee funding required, if applicable – is transferred to the Pensioner Account.

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. Due to the continuing shortfall of the Plan and the Pensioner Account, there was no increase granted on April 1, 2021.

The most recent valuation of the Pensioner Account in ($000) was at December 31, 2019, and the results (based on the market value of assets) were as follows:

	($ Thousands)
Assets at market value	360,483
Liabilities	414,794
Excess/Shortfall	(54,311)

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