



# 2021 Pension Committee's Annual Report

## A Message from the Chair

I am pleased to present the 2021 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 12.07%. On a relative basis, this one-year return outperformed the Plan's benchmark return of 11.68%. Net of the investment and administrative expenses, the rate of return was 11.57%, which is applied to members' contribution accounts. For more detail on the Plan's investment performance, I refer you to the "Plan Performance in 2021" on page 3.

The commitment to fund infrastructure as an asset class in the Plan's portfolio of investments in 2022 represents a major step forward in implementing the Plan's new long-term asset mix, an outcome from the 2019 Asset Modelling Study. The new long-term asset mix will include a 10% allocation to infrastructure. The addition of infrastructure adds important diversification benefits, the probability of enhancing investment returns, and the reduction of overall investment risk. These are all key components in strengthening the Plan's financial position. The most recent Actuarial Valuation Report as of December 31, 2019, showed a small deficit of \$1,607,000. The Plan's next scheduled Actuarial Valuation Report is December 31, 2022, which will be used to determine the financial position of the plan at the end of this calendar year.

The Province of Manitoba passed two sets of amendments to the *Pension Benefits Act* in the second half of 2021. One of the amendments impact certain plan members as it relates to changes in the division of pensions on relationship breakdown. Division of pension benefits can now range from 0% to 50%, instead of only 0%, or only 50%. The new rules apply for separations on October 1, 2021, or later. The other amendment now allows plan members that are 65 and older to unlock 100% of pension funds that are transferred out of our Plan and into a member's financial institution. The Pension Office does not unlock these locked-in funds. The Pension Office provides instructions to the Plan's custodian, CIBC Mellon, to transfer the locked-in funds to the financial institution of the plan member's choice.

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, 2021. 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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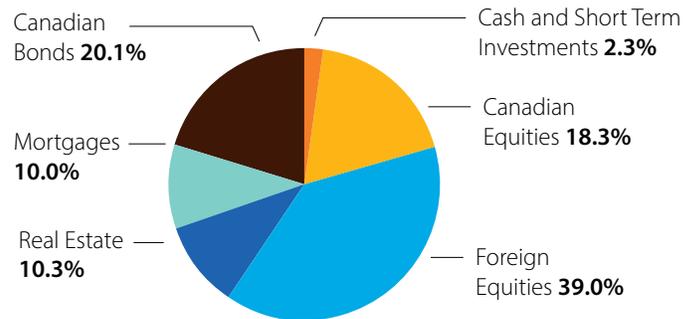
# Financial Highlights

	(\$ Thousands)	
	2021	2020
<b>Financial Position</b>		
Net Assets Available for Benefits	1,451,691	1,341,721
Pension Obligations	1,390,637	1,349,144
Plan Surplus (Deficit) based on accounting valuation as at December 31	61,054	(7,423)
<b>Changes in Net Assets Available for Benefits</b>		
<b>Increase in Assets</b>		
Investment Income	28,333	30,746
Current period change in fair value of investments	130,572	56,499
Employee contributions	27,713	27,749
Employee voluntary contributions	749	67
Employer matching contributions	27,713	27,749
Employer current service funding	4,590	4,644
Employer special payment for unfunded liability	156	156
<b>Decrease in assets</b>		
Benefit payments	103,263	103,864
Administrative expenses	6,593	6,400
<b>Net increase in net assets</b>	<b>109,970</b>	<b>37,346</b>



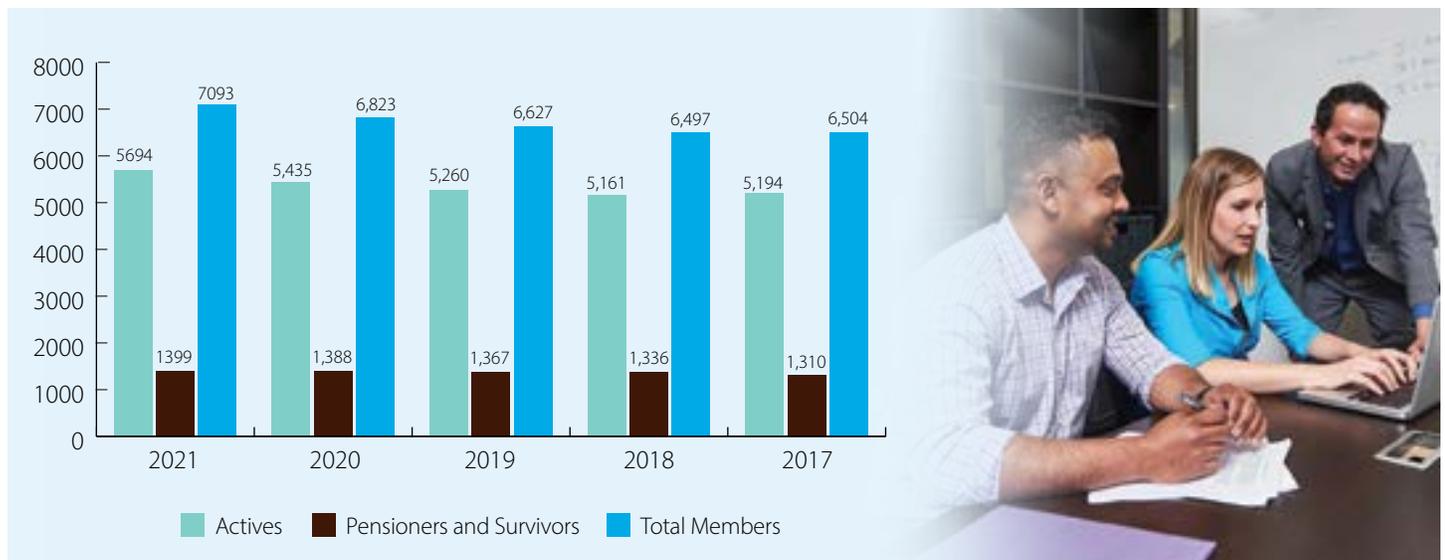
## Where are your pension contributions invested? (the Plan's asset mix)

as at December 31, 2021



For the Plan's complete audited financial statements, go to: [www.umanitoba.ca/pension](http://www.umanitoba.ca/pension)

# Membership Statistics

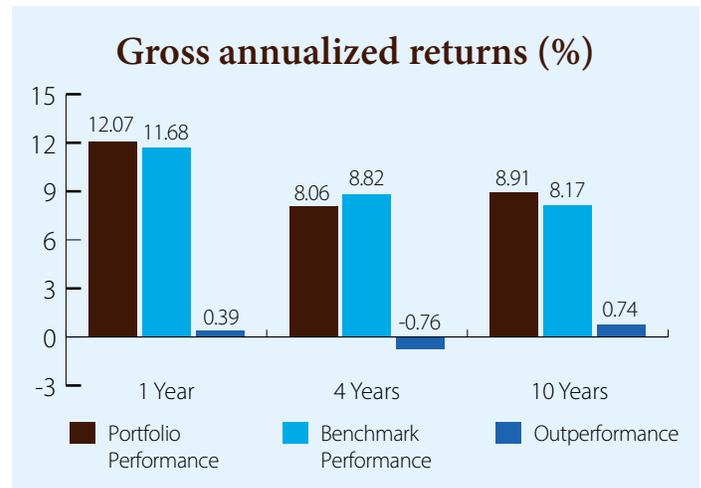


# Plan Performance in 2021

The gross investment return of the 1993 Plan assets was 12.07% for the fiscal year ending December 31, 2021, which exceeded the policy benchmark return of 11.68%. Overall, on both a relative and absolute basis, this was considered a positive result. Exceeding the policy benchmark is always an investment objective of the Plan but having strong absolute returns that provide funding for pension liabilities is critical for the Plan's long-term financial stability. The annualized returns over the past two-, three-, and four-year periods were 9.43%, 11.01% and 8.06% respectively, all exceeding the net discount rate assumption of 5.50% used in valuing Plan liabilities. The net discount rate has been steady at 5.50% since 2015.

The key driver in investment performance during 2021 were very strong equity returns in Canada and the U.S. As indicated in the table below, both Canadian equity portfolios returned over 25%, and all three U.S. portfolios exceeded 24%, for the year. The TD Greystone real estate fund returned 14.60% for the year, and the Canada Life fund returned 11.54%. Given that these three asset classes make up approximately one half of the total fund portfolio, they accounted for the Plan's favorable overall return in 2021.

The two international equity portfolios detracted from relative performance versus their policy benchmark and delivered subpar returns for two managers that have traditionally performed well for the Plan. Burgundy had no energy holdings during a year where energy stocks performed very well, and Mawer's portfolio was hurt by stock selection and style. Rising interest rates also had a negative effect on the fixed income portfolios, as the MFS bond portfolio posted a negative return



of -2.53%, and the two mortgage portfolios had returns of 2.88% (TD Greystone) and 0.43% (Canada Life), respectively. However, all three fixed income portfolios did outperform their benchmarks.

During 2021, the Statement of Investment Policies and Procedure was reviewed in detail with the Plan's investment consultant, Aon, and revised with recommendations of current best practices. Among the key investment beliefs going forward is focusing on environmental, social and governance issues related to Plan investments, and strategies to further mitigate investment risks. Also, the Plan had engaged professional advisors on the legal and tax matters associated with complicated investment structures for new infrastructure investments. Most of that work was completed and investments into these infrastructure funds should commence in the second quarter of 2022.

## 2021 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	%				
<b>Canadian Bonds:</b> MFS Investment Management	296	20	20.75	-2.53	-2.54	0.01
<b>Mortgages:</b> TD Greystone	78	5	5.5	2.88	-1.13	4.01
Canada Life	67	5	5.25	0.43	-1.13	1.56
<b>Real Estate:</b> TD Greystone	77	5	5	14.60	10.08	4.52
Canada Life	72	5	5	11.54	10.08	1.46
<b>Canadian Equity:</b> PH&N	124	9	9	25.38	25.09	0.29
TD Asset Management	139	10	9	25.04	25.09	-0.05
<b>EAFE Equity**:</b> Mawer Investment Management	139	10	9.5	8.79	10.82	-2.03
Burgundy Asset Management	135	9	9.5	4.74	10.82	-6.08
<b>US Equity**:</b> Aristotle Capital Management	98	7	6.5	25.90	27.61	-1.71
Wellington Management Company	101	7	6.5	24.31	27.61	-3.30
TD Asset Management	98	7	6.5	27.60	27.61	-0.01

\* 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).



<b>Highlights of the December 31, 2019 Actuarial Funding Valuation</b>	
	<b>(\$ Thousands)</b>
<b>Going Concern</b>	
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
<b>Going concern</b> measures the financial position of our Plan assuming it will continue to operate indefinitely	
<b>Solvency Valuation</b>	
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
<b>Solvency</b> measures the Plan's health assuming all benefits must be settled as at December 31, 2019.	
<b>Minimum University Contributions (Annual Estimate)</b>	
Matching member contributions	\$29,004
Current service cost	\$4,713
Minimum special payments	\$156
Total minimum University contribution	\$33,873
<b>Employee Contributions</b>	\$29,004
<b>Wind-up Financial Position</b>	
Market value of assets net of provision for expenses	\$1,302,524
Wind-up liability	\$1,403,606
Wind-up excess/(deficiency)	(\$101,082)

## Visit our website

For more relevant content and intuitive, user-friendly navigation, check out our website at [umanitoba.ca/pension](http://umanitoba.ca/pension)

# Plan Governance

In 2021, there was one addition to the Pension Committee, the appointment of Mike Emslie, as the new Chief Financial Officer & Comptroller for the University. A key focus during the year and into 2022 is succession planning. Four members of the Pension Committee will reach their term limits, two in May 2022 and another two in 2023.

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 engaged KPMG in late 2019 to develop and implement an Enterprise Risk Management (ERM) program to focus on the Plan's key risks. With the assistance of KPMG, the Pension Committee completed its Risk Register last October. Through the process of completing the Risk Register, the Pension Committee assessed the impact and likelihood of several risks facing the Plan. The top three risks identified include investment manager performance, data theft/privacy breach and loss of key personnel. The Risk Register assists the Pension Committee to assess the current controls and risk mitigation measures in place and to strengthen them where appropriate. Risk management and oversight is a continuous process and a major priority for the Pension Committee.

The Pension Committee delegates responsibilities to its three subcommittees, each with their own Terms of Reference. The three subcommittees include Investment, Audit and Governance. The subcommittees meet regularly and report back to the Pension Committee. Subcommittee work supports Pension Committee decision making. The Pension Committee engages in on-going education in support of executing its fiduciary responsibilities. This includes an annual Education Day and members are encouraged to take the Foundations of Trust Management Standards sponsored by the International Foundation of Employee Benefit Plans.

A triennial review of the Plan's Governance Document is done. The next review is scheduled for 2023. 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. The Code of Conduct and Conflict of Interest Disclosure were most recently reviewed last September.

## At December 31, 2021, the 1993 Pension Committee members were:

**Naomi Andrew**, B.A. (Advanced), LL.B. <sup>2</sup>  
Vice-President (Administration)  
(Appointed by Position)

**Dr. Shiu-Yik (Yik) Au**, MBA, PhD, CFA3 <sup>3</sup>  
Assistant Professor, Finance  
(Elected from Active Members)

**Carla Buchanan**, CPA, CA, CIM <sup>\*1&3</sup>  
Manager, Financial Reporting, Financial Services  
(Appointed by the Board)

**Will Christie**, B.Sc (ME), B.Sc (CS) <sup>2&3</sup>  
Information Technology Specialist  
(Elected from Active Members)

**Mike Emslie**, CPA, CA <sup>1</sup>  
Chief Financial Officer/Comptroller  
(Appointed by Position)

**Jeff Leclerc**, B.Ed., M.Ed., C.Dir. (Vice-Chair) <sup>2&3</sup>  
University Secretary  
(Appointed by the Board)

**Janice Martin**, CPA, CA, CIA, CRMA (Secretary) <sup>1</sup>  
Director, Audit Services  
(Appointed by the Board)

**Lance McKinley**, CPA, CA (Chair) <sup>1&3</sup>  
Director, Treasury Services  
(Appointed by the Board)

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

**Darlene Smith**, B.Comm, CCP, CPHR <sup>2</sup>  
Associate Vice-President (Human Resources)  
(Appointed by Position)

**Dr. David Stangeland**, PhD, B. Comm, CPA, CMA <sup>3</sup>  
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

<sup>1</sup> also Audit Subcommittee Member

<sup>2</sup> also Governance Subcommittee Member

<sup>3</sup> also Investment Subcommittee Member



# Important Information for Pensioners

## The Pensioner Account

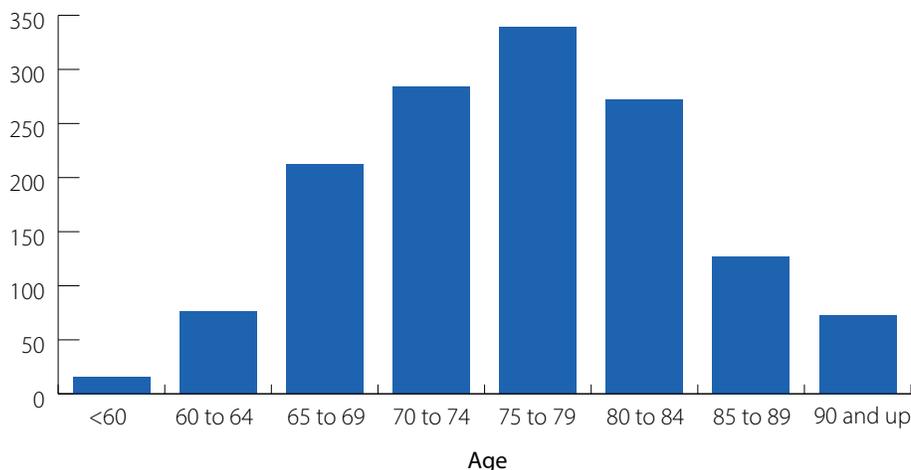
At retirement, Plan members can choose to collect a monthly pension from the Plan. Upon electing this option, the member's total account balance – and any pension guarantee funding required, if applicable – is transferred to the Pensioner Account.

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 next Pensioner Account review will be completed as part of the upcoming actuarial valuation as at December 31, 2022.

The most recent valuation of the Pensioner Account 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



## 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**



## Have questions or need more information?

Contact the Pension Office at:

Email:

**[Pension.Office@umanitoba.ca](mailto:Pension.Office@umanitoba.ca)**

Phone: (204) 474-6661

Fax: (204) 474-7640

Or visit our website:

**[umanitoba.ca/pension](http://umanitoba.ca/pension)**

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