Activity Plan

April 1, 2023 to March 31, 2026

THE MEMORIAL UNIVERSITY

PENSION PLAN

DEPARTMENT OF HUMAN RESOURCES, MEMORIAL UNIVERSITY OF NEWFOUNDLAND

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MEMORIAL UNIVERSITY

The Memorial University Pension Plan

ACTIVITY PLAN

April 1, 2023 to March 31, 2026

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MEMORIAL UNIVERSITY

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Chairperson's Message

Honourable Krista Lynn Howell, MHA
Minister of Education
Government of Newfoundland and Labrador
P.O. Box 8700 Confederation Building
St. John's, NL A1B 4J6

Dear Minister Howell:

I am pleased to submit a three-year Activity Plan for the Memorial University Pension Plan. This plan covers the period April 1, 2023 to March 31, 2026.

The Board of Regents, in its position as trustee, has considered the strategic directions of the Provincial Government, the 2023-26 Strategic Plan for Memorial University, and the overarching University strategic plan, *Transforming Our Horizons*, in the development of this plan. This plan has been prepared in accordance with the Plan's responsibility under the **Transparency and Accountability Act** and the **Memorial University Pensions Act**. Under legislation, the Memorial University Pension Plan is defined as a category three 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.

Sincerely,

Glenn Barnes
Chair, Board of Regents

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ACTIVITY PLAN

The Memorial University Pension Plan

April 1, 2023 TO March 31, 2026

The Memorial University Pension Plan (the 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 (the University). 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 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 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 employee and University contributions 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 Pension Fund, sets out a policy asset mix with the objective of maintaining predictable and stable benefit costs and contributions within a reasonable and acceptable level of risk.

During the 2020-21 fiscal year the Board approved a new strategic asset mix for the Fund that would improve upon its level of diversification and its long term expected return. The process of transitioning the Fund to the strategic policy asset mix began during fiscal year 2021-22, while funding began during the 2022-23 fiscal year and is expected to continue in the 2023-24 and 2024-25 fiscal years.

The Fund is invested in 11 separate mandates that are broadly diversified amongst public and private investments. For a more detailed description of the investment structure, please refer to Tables 1 and 2 below. As the Fund continues to transition its asset mix, actual allocations will migrate to policy targets over time.

Policy Asset Mix

Table 1

Asset Class	Former Percentage Allocation	New Percentage Allocation	Benchmark Index
Canadian Equity	25%	20%	S&P/TSX Composite
U.S. Equity	21%	15%	S&P 500
International Equity	10%	15%	MSCI ACWI ex-US
Global Small Cap Equity	-	5%	MSCI ACWI Small Cap
Emerging Markets Equity	-	5%	MSCI Emerging Markets
Indexed Bonds	10%	10%	FTSE Canada Universe Bond
Private Lending	-	5%	8% Net
Mortgages	8%	5%	60% TMX short + 40% TMX mid + 0.5%
Real Estate	8%	10%	MSCI/REALPAC
Infrastructure	-	10%	CPI + 4%
Canadian Fixed Income	15%	-	FTSE Canada Universe Bond
Cash	3%	-	n/a
Total	100%	100%	

Investment Manager Benchmark Distribution

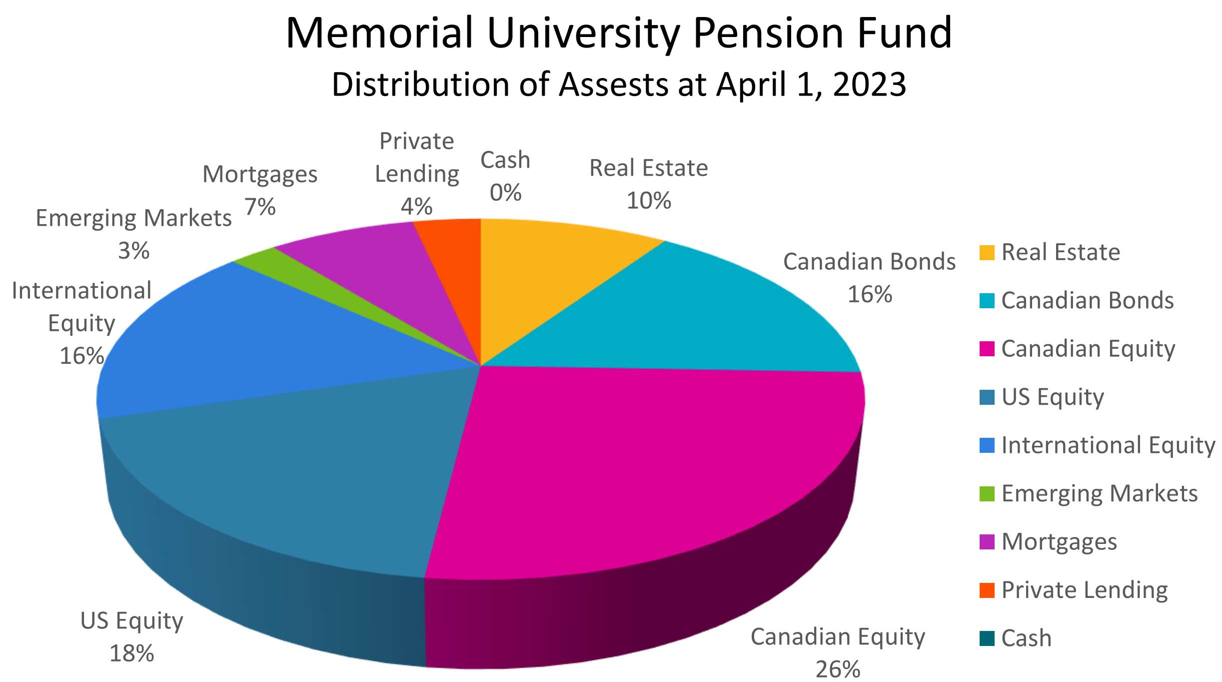
Table 2

Manager	Mandate	Benchmark Allocation	Actual Allocation April 1, 2023
Jarislowsky Fraser	Canadian Equity	10.0%	12.95%
Connor Clark & Lunn	Canadian Equity	5.0%	6.73%
Fidelity Investments Canada	Canadian Equity	5.0%	6.70%
TD Greystone	Canadian Fixed Income	Nil	3.05%
Jarislowsky Fraser	Canadian Fixed Income	Nil	2.98%
CIBC Global Asset Management	Indexed Bonds	10.0%	10.02%
Alliance Bernstein	US Equity	15%	18.40%
Fiera Capital	International Equity	5.625%	6.81%
Wellington Management	International Equity	5.625%	6.16%
Baillie Gifford	International Equity	3.75%	3.43%
Fiera Real Estate	Real Estate	3.2%	3.77%
TD Greystone	Real Estate	4.8%	5.74%
TBD	Real Estate	2.0%	-
TD Greystone	Mortgages	5.0%	7.38%
CBRE	Infrastructure	5.0%	-
Northleaf	Infrastructure	5.0%	-
Monroe Capital	Private Lending	2.5%	2.23%
Northleaf	Private Lending	2.5%	1.20%
Connor, Clark, & Lunn*	Emerging Markets	5.0%	2.44%
TBD	Small Cap	5.0%	-

*2.5% allocated to Connor Clark & Lunn, 2.5% invested opportunistically in the international mandates.

The relative distribution of assets across the entire Fund, as at April 1, 2023, is illustrated in the following chart:

Figure 1



For the year ended March 31, 2023, the Pension Fund achieved a rate of return on invested assets of +1.68 per cent. The Net Assets Available for Benefits decreased by approximately $18 million – down from $2.012 billion at March 31, 2022 to $1.994 billion at March 31, 2023.

Actuarial Valuation

An actuarial valuation of the Plan was prepared for funding purposes as at December 31, 2021 and the results are reported in the Plan's Annual Report for the year ended March 31, 2022.

While an actuarial valuation of the 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 solvency funding exemptions under the **Pension Benefits Act, Regulations**.

In addition to reporting on the solvency position of the Plan, an actuarial valuation is performed to determine the ability of the 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.

An actuarial valuation of the Plan was also prepared at December 31, 2022 and the results of this valuation and its extrapolation to March 31, 2023 are highlighted in the following table together with comparative figures for an extrapolation of the Plan's financial position at March 31, 2022:

Table 3

Actuarial Balance Sheet						
	March 31, 2023 ($ Millions)		December 31, 2022 ($ Millions)		March 31, 2022 ($ Millions)	
	Going Concern	Solvency	Going Concern [1]	Solvency	Going Concern	Solvency
Actuarial Value of Assets	2,053.1	See Note 2) below	2,024.3	1,908.5	1,923.9	See Note 2) below
Actuarial Liabilities	2,038.2		2,022.7	2,076.5	2,024.2	
Surplus (Unfunded Liability)	14.9		1.6	(168.0)	(100.3)	

Notes:

1) The going concern financial position at December 31, 2022 does not include a future payment stream of approximately $62.2 million related to the introduction of indexing in July 2004. A financing plan is in place to amortize the past service costs of indexing over a remaining period of 21.5 years from December 31, 2022.

2) An extrapolation of the solvency position was not performed as at March 31, 2023 or March 31, 2022.

3) Memorial has requested that the exemptions relating to the minimum contributions required under the Pension Benefits Act Regulations established under the Pension Benefits Act, 1997 based on a solvency valuation be extended. Without further exemptions, special payments will be required over five years related to the solvency valuation to address the unfunded liability.

The Plan is being funded in accordance with the December 31, 2021 valuation, which disclosed a going concern surplus of $3.0 million. This surplus position does not include approximately $64.2 million in expected future cash flows in respect of past service costs associated with the introduction of indexing in 2004. By special provision of the **Pension Benefits Act, 1997** (PBA), the University and employees are financing the indexing liability over a remaining period of 21.5 years from December 31, 2022 through contributions equivalent to 1.2 per cent of pensionable payroll (shared equally by the University and employees).

Current Service Cost

Current service cost is the basis upon which the Plan's contribution rate for both employees and the University is determined. The December 31, 2021 actuarial valuation revealed that the cost of pension benefits being earned by members had decreased by 0.8 percentage points over levels identified in the previous funding valuation at December 31, 2018.

Current service cost is shared equally between employees and the University. On January 1, 2023 the rate paid by each was decreased by 0.4 percentage points. The former contribution rate together with the current contribution rate is shown below:

Table 4

Rate Structure	Former Contribution Rate (To December 31, 2022)	Current Contribution Rate (From January 1, 2023)
Earnings up to Year's Basic Exemption under Canada Pension Plan	11.8%	11.4%
Earnings between Year's Basic Exemption under Canada Pension Plan and the Year's Maximum Pensionable Earnings under Canada Pension Plan	10.0%	9.6%
Earnings above Year's Maximum Pensionable Earnings under Canada Pension Plan	11.8%	11.4%

Pension Plan Member Statistics

Table 5

	April 1 2023	2022	2021	2020	2019
Active Members	3,587	3,535	3,529	3,621	3,643
Average Age of Active Members	47.7	47.8	47.8	47.5	47.3
Retirees (incl. principal beneficiaries)	2,737	2,592	2,531	2,464	2,362
Deferred Pensioners	468	460	428	282	303
Average Age at Retirement	61.30	60.76	61.12	61.24	61.33

Figure 2

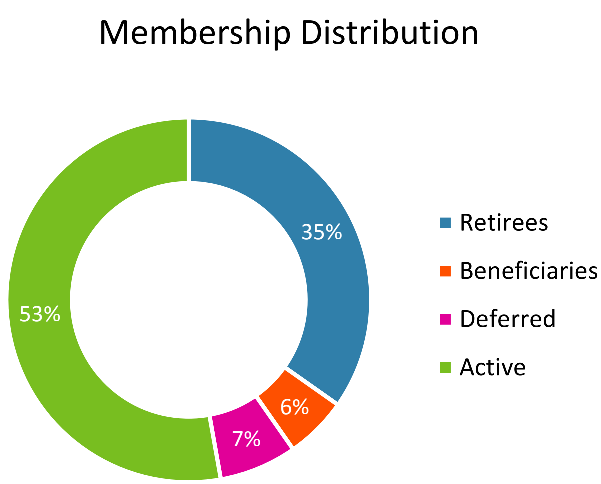
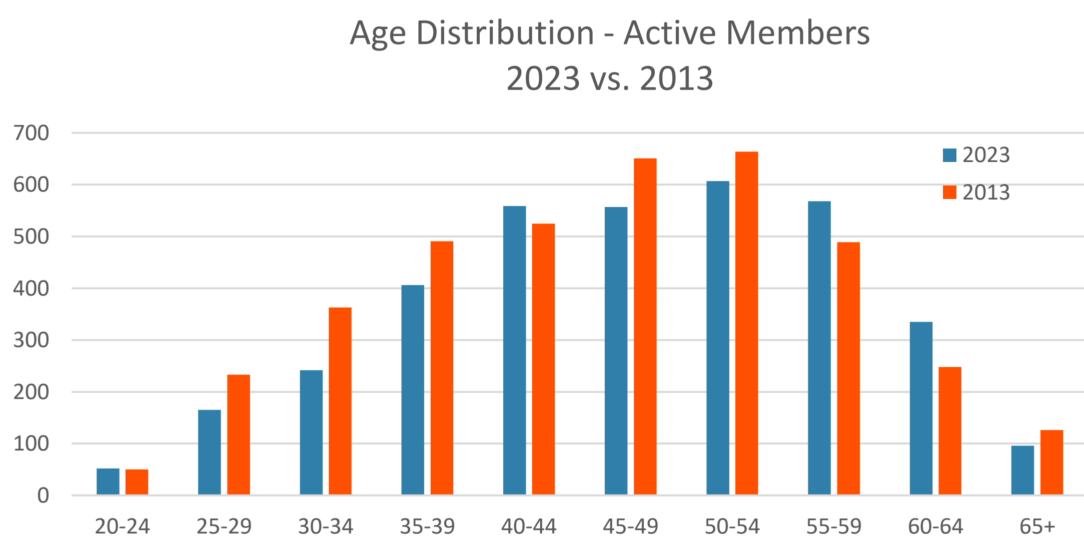


Figure 3



Mandate

The mandate of the Board of Regents of Memorial University, acting as trustee for the Plan, is set out in the **Memorial University Pensions Act** (the 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.

Issues and Objectives

Issue One: Responsible stewardship in the collection, investment and disbursement of the Pension Fund

The Board, as trustee of the Pension Fund, is responsible to ensure that funding objectives for the 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 Plan is administered in accordance with the **Memorial University Pensions Act** and other governing legislation.

The following objective will be the focus of the Plan for each of the fiscal years ending March 31 in 2024, 2025, and 2026 and will be reported upon in each of the respective annual reports:

Objective: By March 31, 2024, 2025 and 2026 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.

Indicators:

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

Issue Two: Funding Policy for Sustainability of the Pension Fund

As the employer, Memorial University must comply with the pension plan funding requirements of the provincial **Pension Benefits Act, 1997** (PBA). When the Plan experiences funding deficiencies, as measured by periodic actuarial valuations, the University must make additional special payments into the 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. In addition, through special provision under the PBA, the past service costs associated with the introduction of indexing in 2004 are being amortized over a remaining period of 21.25 years from March 31, 2023.

The Plan is being funded in accordance with the December 31, 2021 actuarial valuation until such time as the next triennial valuation for funding purposes is filed with the regulatory authorities. The Plan had a going concern surplus of $3.0 million at December 31, 2021. For the fiscal years 2015-16 to 2021-22, the University was given regulatory approval to defer special payments against then existing unfunded liabilities. The Plan is fully funded at its triennial funding date and going concern special payments are not required while the Plan is exempt from solvency funding.

With respect to the sustainability of the Pension Fund, the University and employee groups have been working towards the development of a shared governance model aimed at ensuring the Pension Plan's ongoing viability, as well as measures to ensure the sustainability of the Fund. The investment of the Fund is guided by the Plan's Statement of Investment Policy and Objectives.

With respect to the sustainability of the Pension Fund, the following objective will be the focus for each of the fiscal years ending March 31 in 2024, 2025, and 2026 and will be reported upon in each of the respective annual activity reports:

Objective: By March 31, 2024, 2025 and 2026 Memorial University will have prudently managed the Memorial University Pension Fund.

Indicator: Reviewed, amended, and implemented the Plan's Statement of Investment Policy and Objectives to ensure the sustainability of the Pension Fund.

Issues and Objectives (continued)

Issue Three: Joint Sponsorship of the Memorial University Pension Plan

Other large public sector pension plans in Newfoundland and Labrador have undergone a transformational pension reform process which has culminated in the establishment of shared responsibility for pension plan management and funding.

In consideration of the Plan's status as a public sector pension plan and in recognition of funding challenges, the Provincial Government has requested that the University and Plan stakeholders also move to establish joint sponsorship of the Plan and formulate a funding policy to guide its future sustainability. Under this structure, the Plan would be jointly sponsored by the University and employee groups and the sponsors would share equally in the Plan's management and funding. This change would be developed with input from employee stakeholder groups in consultation with the Provincial Government.

The University and employee groups began negotiations toward reaching agreement on a framework for Plan reform in the fall of 2017 and this continued through to March 31, 2023. The University, in consultation with the Provincial Government, will continue to engage with employee groups on a jointly sponsored governance model for the Plan.

The following objective will be the focus of the Pension Plan for each of the fiscal years ending March 31 in 2024, 2025 and 2026 and will be reported upon in each of the respective annual reports:

Objective: By March 31, 2024, 2025 and 2026 the Memorial University Pension Plan will have continued work towards transitioning to a jointly sponsored pension plan.

Indicator: Continued the development of a joint sponsorship governance model for the future management and funding of the Pension Plan.