

# Communiqué Fall 2015

## Second Quarter 2015 Returns

The UAPP Fund experienced a loss of 0.85% in the second quarter of 2015.

## Summary of Investments as at June 30, 2015

Total Market Value \$3,961.4 Million

| Market Value and Asset Mix            | 30-Jun-15      |                | 31-Dec-14      |                |
|---------------------------------------|----------------|----------------|----------------|----------------|
|                                       | (\$million)    | Actual Mix (%) | (\$million)    | Actual Mix (%) |
| Cash & Short-term                     | 12.3           | 0.3            | 12.2           | 0.3            |
| Universe Bonds & Mortgages            | 523.9          | 13.3           | 509.5          | 13.6           |
| Real Return Bonds                     | 278.4          | 7.0            | 243.9          | 6.5            |
| Long Bonds                            | 388.9          | 9.8            | 383.0          | 10.2           |
| <b>Total Cash &amp; Fixed Income</b>  | <b>1,203.5</b> | <b>30.4</b>    | <b>1,148.7</b> | <b>30.6</b>    |
| Canadian Equities                     | 697.4          | 17.6           | 656.3          | 17.5           |
| Global Equities                       | 1,576.1        | 39.8           | 1,492.6        | 39.9           |
| <b>Total Equities</b>                 | <b>2,273.5</b> | <b>57.4</b>    | <b>2,148.9</b> | <b>57.4</b>    |
| Real Estate                           | 302.1          | 7.6            | 275.5          | 7.4            |
| <b>Total Alternative Investments*</b> | <b>484.4</b>   | <b>12.2</b>    | <b>450.9</b>   | <b>12.0</b>    |
| <b>Total Investments</b>              | <b>3,961.4</b> | <b>100.0</b>   | <b>3,748.5</b> | <b>100.0</b>   |

\* Includes Real Estate plus Timberlands, Private Income and Private Debt

Note: The numbers in the columns may not add up exactly due to rounding

## Contribution Rate Increase

Effective July 1, 2016, the contribution rates are increasing 1.44%, to be shared equally between employers and employees.

See page 3 for more information...

| Investment Performance of the Fund                        | Quarter ending 30-Jun-15 | One Year ending 30-Jun-15 | Four Year ending 30-Jun-15 |
|---|--------------------------|---------------------------|----------------------------|
| <b>Cash and Short-term</b>                                | <b>0.2</b>               | <b>1.1</b>                | <b>1.2</b>                 |
| <i>FTSE TMX 91-Day T-Bill Index</i>                       | 0.2                      | 0.9                       | 1.0                        |
| <b>Fixed Income</b>                                       | <b>-3.1</b>              | <b>6.5</b>                | <b>5.8</b>                 |
| <i>Fixed Income Investments Index</i>                     | -2.6                     | 9.0                       | 7.9                        |
| <b>Canadian Equity</b>                                    | <b>-1.5</b>              | <b>-0.2</b>               | <b>8.0</b>                 |
| <i>S&amp;P/TSX Composite Capped Index</i>                 | -1.6                     | -1.2                      | 5.3                        |
| <b>Global Equity</b>                                      | <b>0.2</b>               | <b>18.9</b>               | <b>15.4</b>                |
| <i>MSCI ACWI &amp; Emerging Markets Index</i>             | -1.0                     | 17.3                      | 14.1                       |
| <b>Real Estate</b>  | <b>0.7</b>               | <b>5.4</b>                | <b>14.0</b>                |
| <i>REALpac/IPD Large Institutional All Property Index</i> | 0.7                      | 6.1                       | 10.8                       |
| <b>Alternative Investments</b>                            | <b>0.5</b>               | <b>7.7</b>                | <b>11.3</b>                |
| <i>Alternative Investments Index</i>                      | 1.4                      | 6.3                       | 9.0                        |
| <b>Total Investment Return</b>                            | <b>-0.9</b>              | <b>10.4</b>               | <b>10.9</b>                |
| <b>Policy Benchmark Return</b>                            | <b>-1.4</b>              | <b>9.5</b>                | <b>9.5</b>                 |



## 2014 Actuarial Valuation Results

In order to review the financial position of the UAPP, the Board arranged for an actuarial valuation of the Plan as at December 31, 2014. The table below provides the results of the recently completed valuation compared to the results of the previous valuation performed as at December 31, 2012.

| (\$millions)              | December 31, 2014 |                 |               | December 31, 2012 |                 |               |
|---------------------------|-------------------|-----------------|---------------|-------------------|-----------------|---------------|
|                           | Pre-92 Service    | Post-91 Service | Total Service | Pre-92 Service    | Post-91 Service | Total Service |
| Market Value of Assets    | 824.9             | 2,942.7         | 3,767.6       | 819.5             | 2,132.5         | 2,952.0       |
| Actuarial Adjustment      | (51.0)            | (151.8)         | (202.8)       | (20.2)            | (42.1)          | (62.3)        |
| Actuarial Value of Assets | 773.9             | 2,790.9         | 3,564.8       | 799.3             | 2,090.4         | 2,889.7       |
| Accrued Liability         | 1,674.5           | 3,099.3         | 4,773.8       | 1,663.1           | 2,490.2         | 4,153.3       |
| Actuarial Deficiency      | (900.6)           | (308.4)         | (1,209.0)     | (863.8)           | (399.8)         | (1,263.6)     |
| Funded Ratio              | 46.2%             | 90.1%           | 74.7%         | 48.1%             | 83.9%           | 69.6%         |

### Plan Assets

The Plan experienced a 13.1% market rate of return for 2013 and 12.0% for 2014. This has resulted in an increase in the actuarial value of assets of the Plan with the rate of return averaging 10.7% over this 2 year period versus the 2012 valuation assumption of 6.25%.

The market value of the assets is adjusted by a smoothing method to determine the actuarial value of assets. Smoothing is used to reduce the impact on contribution rates of the volatility in the market value of assets, due to short-term fluctuations in the markets. The market value of assets continues to be higher than the actuarial value used for valuation purposes, due to the positive returns in 2013 and 2014. The use of the smoothing method softens the impact of both negative and positive markets on the actuarial position of the Plan.

Based on the December 31, 2014 valuation results, the Plan's funded status has improved from 69.6% to 74.7%. The pre-1992 funded status continues to erode mainly due to the lengthy amortization of the pre-1992 unfunded liability to the end of 2043. The post-1991 funded status has improved due to the positive investment returns and the post-1991 unfunded liability being amortized over only 15 years.

### Plan Liabilities

A significant part of the valuation process is the review of the assumptions used to determine the liabilities and contribution requirements of the Plan. The Board, in consultation with the actuary, made a number of changes to the assumptions used for the 2014 valuation. One significant change to the assumptions was the reduction of the expected investment return and interest rate used to calculate the liabilities from 6.25% to 5.95% to reflect changed expectations for market returns and existing low bond yields. The other significant changes were to demographic assumptions. A study was prepared to examine retirement, termination, mortality, and merit and promotion salary increase experience of plan members over the past several years. The results of the study led to updates in these assumptions. Further, the mortality table was updated to reflect a new mortality table published by the Canadian Institute of Actuaries. The new table reflects significant mortality improvements among Canadians. The net impact of these changes can be seen in increases in the present value of the accrued pension liability and current service cost.

## New Contribution Rates Effective July 1, 2016

In order to secure the benefits of Plan members and comply with the funding requirements of the *Employment Pension Plans Act* (Alberta), the Board, on the advice of its actuary, is increasing total contribution rates by 1.44% of salary. This increase shall be shared equally between employers and employees and will be effective July 1, 2016. The new contribution rates are as follows:

| Institution                         | CURRENT RATE<br>(% of salary) |       |      |          |       |      | NEW RATE<br>(% of salary)<br>Effective July 1, 2016 |       |      |          |       |      |
|-------------------------------------|-------------------------------|-------|------|----------|-------|------|---|-------|------|----------|-------|------|
|                                     | Employee                      |       |      | Employer |       |      | Employee  |       |      | Employer |       |      |
|                                     | A                             | B     | C    | A        | B     | C    | A   | B     | C    | A        | B     | C    |
| Alberta,<br>Calgary &<br>Lethbridge | 11.82                         | 15.02 | 1.44 | 11.82    | 15.02 | 1.44 | 12.41   | 15.91 | 1.77 | 12.41    | 15.91 | 1.77 |
| Athabasca<br>& Banff                | 11.32                         | 14.52 | 1.44 | 12.32    | 15.52 | 1.44 | 11.91   | 15.41 | 1.77 | 12.91    | 16.41 | 1.77 |

Note:

'A' applies on salary up to YMPE, or CPP earnings cap of \$54,900 for 2016

'B' applies on salary above the YMPE and up to the pensionable salary cap of \$160,970 for 2016

'C' applies on salary above the pensionable salary cap

### Impact on Members

The new contribution rates will take effect until July 1, 2016. Based on the 2016 YMPE and pensionable salary cap, the estimated monthly increase in employee contributions to the UAPP would be as follows:

| Monthly Salary | Monthly Increase <sup>1</sup> | After-tax Monthly Increase <sup>2</sup> |
|----------------|-------------------------------|---|
| \$4,000        | \$23.60                       | \$15.10                                 |
| \$6,000        | \$39.68                       | \$25.39                                 |
| \$8,000        | \$57.48                       | \$36.78                                 |
| \$10,000       | \$75.28                       | \$48.18                                 |
| \$12,000       | \$93.08                       | \$59.57                                 |
| \$14,000       | \$107.59                      | \$68.86                                 |

<sup>1</sup> This amount includes the impact of increases in the UAPP contribution rates.

<sup>2</sup> This amount has been calculated assuming a marginal income tax rate of 36%. The actual after-tax amount will vary depending on a member's marginal tax rate.

### Pensioner Audit

If you are currently receiving a pension from the UAPP, you will eventually receive a Pension Payment Recipient Confirmation letter from the Trustees' Office in the mail. Each year, we conduct an audit of on-going payments made to our pensioners. The purpose of the audit is to ensure our pensioner records accurately reflect the current status of the pensioners and, if applicable, their joint annuitants. Generally, we commence mailing the confirmation letters in July and August with follow-up letters sent during the Fall to those who have not responded. If you receive a letter from our office, you can reply by return mail, fax, or e-mail. The only requirement is that the document we receive be signed by the pensioner and, if applicable, joint annuitant. We thank all pensioners who have returned their confirmations to our office and request that all others return the confirmation as soon as possible.

after receiving it in the mail. Those pensioners whose status remains outstanding after due notice risk having their payments suspended.

## **Year's Maximum Pensionable Earnings under CPP for 2016 increases to \$54,900 from \$53,600 in 2015**

The Canada Revenue Agency has announced that the Year's Maximum Pensionable Earnings (YMPE) under the Canada Pension Plan (CPP) for 2016 will be \$54,900 – up 2.4% from \$53,600 in 2015. The new ceiling was calculated according to a CPP-legislated formula that takes into account the growth in average weekly wages and salaries in Canada.

The employee and employer CPP contribution rates for 2016 will remain unchanged at 4.95% each. The maximum employer and employee contribution to the CPP for 2016 will be \$2,544.30 each, up from \$2,479.95 in 2015. The basic exemption amount will remain at \$3,500.00.

## **Maximum Pensionable Salary under the UAPP for 2016 increases to \$160,970 for service after 1993**

The increase in the YMPE to \$54,900 combined with the announced maximum pension benefit of \$2,890.00 in 2016 for each year of service under defined benefit pension plans means that the maximum pensionable salary (sometimes called the pensionable salary cap) under the UAPP will rise to \$160,970.00 in 2016 from \$157,024.50 in 2015.

The maximum pensionable salary under the UAPP has increased for 2016 by 2.5%.

## **Re-launched UAPP Website**

Earlier this year, the UAPP website, [uapp.ca](http://uapp.ca), was re-launched with a completely new look and some new content. We encourage you to visit the site and provide us with your feedback. Be sure to let us know if you are not able to find what you are looking for.

At the top of the homepage are links to the different sections of the site which you will find summarized below. Also on the page is a link for the Retirement Planner. Here, you will find your Annual Member Statement and you will be able to run an unlimited number of pension estimates.

Under Publications, we have documents such as the Member Handbook, Information Sheets, Annual Report, quarterly Communiqués, actuarial valuation reports, Business Plans for the Trustees' Office, Funding Policy, Statement of Investment Policies and Procedures, and the Sponsorship and Trust Agreement which is the plan's governing document. In the News section, there is information about the annual cost-of-living adjustments and the most recent versions of our popular publications. In the Forms section are blank forms useful for members who are terminating or retiring from the plan or who are interested in purchasing prior service. There are also links to CIBC Mellon's website for retired members. Under Links, you will find homepages for each of the plan sponsors and many retirement-related websites. Contact information for the Trustees' Office, Buck, and CIBC Mellon are listed under the Contact Us link. We are also working on adding Frequently Asked Questions to this section.

## Commutated Value Basis Change

The basis for the calculation of a Commuted Value (CV) has been changed. The Canadian Institute of Actuaries has implemented new mortality tables to better reflect increased life expectancy of Canadians. The new tables were generated as a result of an extensive cross-country study of mortality experience. These new tables are now standard for Registered Pension Plans like UAPP. This change in the standard will affect CVs for termination and death calculations.

Assumptions about a member's mortality are very important with respect to the calculation of a CV because the CV represents the lump sum amount of money required today that is equivalent to the monthly pension normally paid upon retirement.

A CV is not normally calculated for members of UAPP who have attained age 55 because those members must receive a monthly pension and cannot commute the value of their pension. However, members under the age of 55 will notice a significant difference in their commuted values after October 1, 2015 if they have received a previous estimate or if they refer to the CV as shown on a past Annual Member Statement.



### Getting ready for retirement?

Consult the Information Sheet "Preparing for Retirement". It is available at [www.uapp.ca](http://www.uapp.ca) under "Publications".

### Keep Your Contact Information Current

It is important that you keep your contact information current. Active members should notify their employer about any changes to their address.

It is particularly vital that pensioners and other terminated members ensure that the UAPP has their current contact information in case the UAPP needs to contact them about their pension. Pensioners should contact CIBC Mellon directly by telephone at 1.800.565.0479 or on the internet at [https://www.cibcmellon.com/Contents/en\\_CA/English/RetireeCentre/Forms/ChangeOfAddress.html](https://www.cibcmellon.com/Contents/en_CA/English/RetireeCentre/Forms/ChangeOfAddress.html) to update their information. Other terminated members should contact Buck Consultants at 1.866.709.2092 in this regard.

### New to the UAPP?

We strongly encourage you to spend some time reviewing our website, [www.uapp.ca](http://www.uapp.ca). In particular, you will find lots of useful information in the Publications section, including our Member Handbook and Annual Report. Of course, if you have any questions about UAPP, please contact the UAPP Trustees' Office at 780.415.8868.

### Keep your Beneficiary Information updated

If you leave employment and leave your funds with the UAPP, keep your *Designation of Spouse and Non-Spouse Beneficiary* form, available at [www.uapp.ca](http://www.uapp.ca) under Forms, and the addresses of your beneficiaries up-to-date with the UAPP. Doing so will help expedite payment to your beneficiaries. Make sure your family or your executor knows you are entitled to a benefit from the UAPP.



**Questions About the Retirement Planner?** Call Buck Consultants at 1.866.709.2092 if you need help accessing the Retirement Planner, or for login or password inquiries. Your Member Statement can be accessed through the Retirement Planner.

**Questions About Your Pension?** Call Buck Consultants at 1.866.709.2092, the Human Resources Department at your institution, or contact the UAPP Trustees' Office at 780.415.8868.

### Questions About Purchasing Prior Service or Periods of Leaves of Absence?

Call the Human Resources Department at your institution or the UAPP Trustees' Office at 780.415.8868.

**Comments?** If you recently used the services of any group (Buck Consultants, CIBC Mellon, Human Resources Department at your institution, or the UAPP Trustees' Office) on a matter related to the UAPP and would like to comment on the service you received, please feel free to write to us at [board@uapp.ca](mailto:board@uapp.ca). Other contact information is available on our website, [www.uapp.ca](http://www.uapp.ca), under Contact Us.

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