

Communiqué

Summer 2016

First Quarter 2016 Returns

The UAPP Fund experienced a loss of 1.05% in the first quarter of 2016.

Summary of Investments as at March 31, 2016

Total Market Value \$3,981.4 Million

Market Value and Asset Mix	31-Mar-16		31-Dec-15	
	(\$million)	Actual Mix (%)	(\$million)	Actual Mix (%)
Cash & Short-term	14.3	0.4	15.6	0.4
Universe Bonds & Mortgages	518.7	13.0	517.6	12.8
Real Return Bonds	278.5	7.0	275.9	6.9
Long Bonds	402.5	10.1	392.2	9.7
Total Cash & Fixed Income	1,214.0	30.5	1,201.3	29.8
Canadian Equities	753.0	18.9	677.8	16.9
Global Equities	1,493.7	37.5	1,554.8	38.6
Total Equities	2,246.8	56.4	2,232.6	55.5
Real Estate	339.7	8.5	338.7	8.4
Total Alternative Investments*	520.6	13.1	590.6	14.7
Total Investments	3,981.4	100.0	4,024.5	100.0

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

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

Investment Performance of the Fund	Quarter ending	One Year ending	Four Year ending
	31-Mar-16	31-Mar-16	31-Mar-16
Cash and Short-term	0.2	0.9	1.1
<i>FTSE TMX 91-Day T-Bill Index</i>	<i>0.1</i>	<i>0.5</i>	<i>0.9</i>
Fixed Income	2.0	-0.3	4.2
<i>Fixed Income Investments Indices</i>	<i>2.0</i>	<i>-0.2</i>	<i>4.2</i>
Canadian Equity	4.7	-5.2	7.4
<i>S&P/TSX Composite Capped Index</i>	<i>4.5</i>	<i>-6.6</i>	<i>5.3</i>
Global Equity	-6.9	-2.1	13.5
<i>MSCI World & Emerging Markets Indices</i>	<i>-5.9</i>	<i>-3.2</i>	<i>12.8</i>
Real Estate	0.7	5.5	9.6
<i>IPD Large Institutional All Property Index</i>	<i>0.7</i>	<i>7.6</i>	<i>9.4</i>
Alternative Investments	1.1	8.2	9.0
<i>Alternative Investments Indices</i>	<i>1.0</i>	<i>7.4</i>	<i>8.5</i>
Total Investment Return	-1.1	-0.1	9.4
<i>Policy Benchmark Return</i>	<i>-0.6</i>	<i>-1.3</i>	<i>8.2</i>

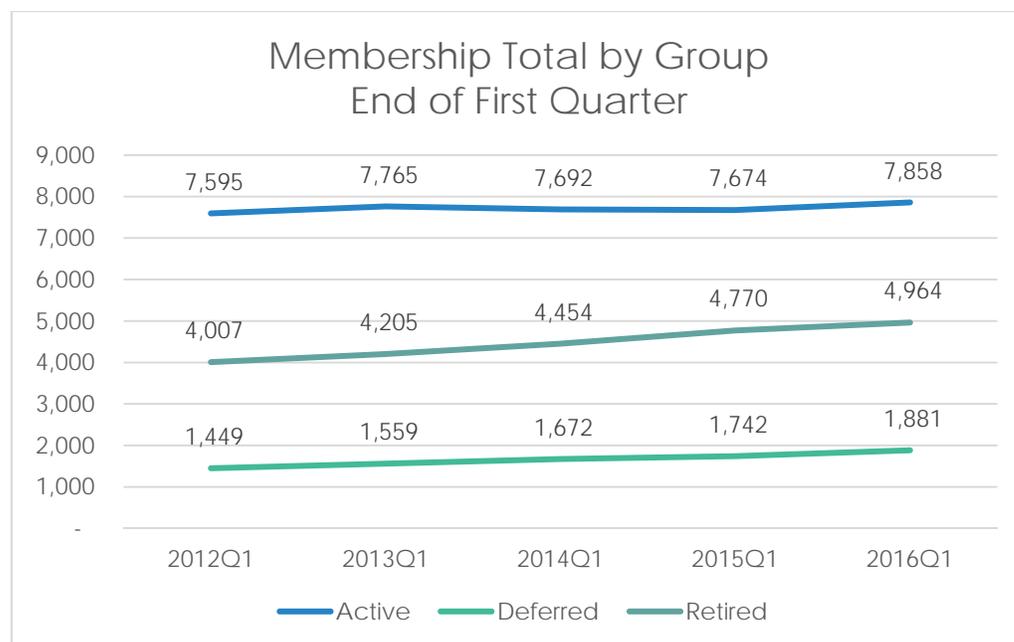
2015 Member Statements Available

The 2015 member statements have now been uploaded to the Retirement Planner for active members and mailed for retired members.

Please call Buck Consultants at 1.866.709.2092 if you need help accessing the Retirement Planner, or for login or password inquiries.

Membership Trends

Like most defined benefit pension plans, the UAPP has “aged” from a young plan, with a majority of members actively accruing benefits and making contributions to the plan, to a more mature plan, with a growing group of members retired and in receipt of monthly pensions. This demographic shift can be seen in membership totals summarized in the chart below.



The retired membership group has grown from 4,007 at March 31, 2012 to 4,964 at March 31, 2016, representing an average annual growth rate of 5.5%. Meanwhile, the active membership group has grown at an average annual rate of only 0.9% over the same four year period. Another way to see the maturing of the membership is in the ratio of active members to retired members. At March 31, 2012, this ratio was 1.90:1 and has shrunk to 1.58:1 at March 31, 2016. There are two primary reasons for this demographic shift. Firstly, the plan has seen a significant number of retirements in recent years. Secondly, plan experience has shown that members are living longer and, therefore, are spending a greater number of years as retired members.

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 www.cibcmellon.com/en/retiree-assistance/index.jsp#ir/change-of-address to update their information. Other terminated members should contact Buck Consultants at 1.866.709.2092 in this regard.

Key Pension Terms

The pension industry has developed its own unique vocabulary that can be confusing to some plan members. The UAPP Member Handbook and Annual Report are two documents that include glossaries of important terms.

The following are some key terms you may come across when you look at your pension or think about retirement:

Actuarial Valuation

An actuarial valuation measures the funded status of the plan and the level of contributions required to fund the benefits of the plan. An actuarial valuation is prepared by a qualified actuary who is a member of the Canadian Institute of Actuaries.

Locked-In Retirement Account (LIRA)

A LIRA is an RRSP that is locked-in and which must be used to provide for a lifetime retirement income commencing on or after the account holder reaches age 50. Most financial institutions offer LIRAs.

Pensionable Salary Cap

The pensionable salary cap changes from year to year, and is equal to the salary that produces the maximum UAPP benefit accrual allowed for that year by the Income Tax Act under a registered pension plan. The pensionable salary cap for recent years for pensionable service accrued from January 1, 1994 is

2011	\$142,101.00	2014	\$154,250.00
2012	\$147,363.50	2015	\$157,024.50
2013	\$150,163.50	2016	\$160,970.00

Because the UAPP benefit accrual formula was different for pensionable service accrued during 1992 and 1993, the pensionable salary cap for those years is different:

2011	\$127,611.00	2014	\$138,500.00
2012	\$132,333.50	2015	\$140,944.50
2013	\$134,833.50	2016	\$144,500.00

No pensionable salary cap applies for pensionable service accrued prior to 1992.

Commuted Value

The commuted value is the lump sum of money that represents the value of a member's pension earned to a specified date. The lump sum is determined using several factors, including the member's age and the long-term bond rates prevailing at the time of the calculation. The lower the bond rates, the higher the commuted value and, conversely, the higher the rates, the lower the commuted value.

Consumer Price Index (CPI)

CPI is an indicator of the prices encountered by consumers. It is obtained by calculating, on a monthly basis, the cost of a fixed "basket" of commodities purchased by a typical consumer during a given month. The CPI is published by Statistics Canada and is a widely used indicator of inflation (or deflation) in Canada. UAPP pensions are indexed annually to 60% of Alberta's CPI.

Spouse

At the relevant time, a spouse is:

- a) A person to whom a member is legally married and from whom a member has not been living separate and apart for 3 or more consecutive years, or
- b) If there is no person under a), a person of either sex who has lived with a member (i) in a marriage-like relationship for the 3 years immediately preceding the relevant time, or (ii) in a relationship of some permanence for the period immediately preceding the relevant time if a member and that person are, together, the natural or adoptive parents of a child under the laws of Alberta; or
- c) If there is no person under a) or b), and a member has not filed with the Board a prescribed declaration, a person to whom a member was married but from whom has been separated for more than 3 years.

Statement of Investment Policies and Goals

The Statement of Investment Policies and Goals is a comprehensive statement by the UAPP's Board of Trustees outlining, among other things, the asset mix of the fund, the allowable range for each asset class and the benchmarks for measuring performance. The Statement can be found on the UAPP website under "Publications".

Unfunded Liability

An unfunded liability occurs when the actuarial valuation determines that a pension fund's accrued liabilities exceed the assets available for the payment of benefits.

YMPE (Year's Maximum Pensionable Earnings)

The YMPE is the maximum earnings set each year by the Canada Pension Plan (CPP) on which a member is required to make CPP contributions. The average YMPE is the annual average of the YMPE over the same period as the member's highest average salary.

The YMPE for recent years is shown below:

2011	\$48,300	2014	\$52,500
2012	\$50,100	2015	\$53,600
2013	\$51,100	2016	\$54,900

Feature on UAPP Website

A popular feature of the UAPP website is the Links section found at www.uapp.ca/links. This section is broken into two parts. At the top are links to the home pages of all nine of the UAPP plan sponsors. At the bottom is a list of general links of interest to members on topics relating to retirement. These links are included to provide you with access to information on government programs, retirement income calculators, pension education tools, and other items to think about as you consider retirement.

Governance Structure and Roles

The UAPP is a defined benefit pension plan registered under the Income Tax Act (Canada) and the Employment Pension Plans Act (Alberta). At all times, the plan must comply with both pieces of legislation. The governing document of the plan is the Sponsorship and Trust Agreement, which is posted on the UAPP website under "Publications". This document, commonly referred to as the STA, defines the terms of the plan and identifies the roles and responsibilities of the parties involved in the administration of the plan. This section of the Communique is intended to provide a brief summary of how the plan is administered.

Board of Trustees (Board)

In general terms, the Board is responsible for the daily administration and overall governance of the UAPP. Specific details of the mandate of the Board are described in the STA. The Board is comprised of employee and employer representatives from the member institutions:

- University of Alberta,
- University of Calgary,
- University of Lethbridge,
- Athabasca University, and
- The Banff Centre.

Since the Banff Centre does not have an employee representative, the vote allotment of the Board is redistributed to ensure the employee representatives have equal voting power as the employer representatives.

Plan Sponsors (Sponsors)

The mandate of the Sponsors is also defined in the STA. The composition of the Sponsors group is identical to that described above for the Board (i.e. employee and employer representatives from each member institution). However, these representatives may or may not be the same person as the Board representative. The Sponsors' primary responsibility is the design of the plan.

Investment Management

The Board hires professional investment management firms to invest the pension fund assets. The UAPP Investment Committee, which is comprised of four Board members and three external members with investment expertise, provides guidance to the Board including an evaluation of the performance of the investment managers. The UAPP funds are invested with three firms: Alberta Investment Management Corporation (AIMCo), Beutel, Goodman & Company Ltd., and Fiera Capital Corporation. These managers invest the plan's assets in accordance with the UAPP Statement of Investment Policies and Goals, which can be found on the UAPP website under "Publications".

Pension Administration

Buck Consultants Limited provide pension administration services that include the preparation of annual member statements and options packages for terminating and retiring members. CIBC Mellon holds the pension fund and pays out all plan benefits. CIBC Mellon also issues tax receipts to the pensioners. Service levels for both parties are closely monitored by the Board.

New to the UAPP?

We strongly encourage you to spend some time reviewing our website, 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.

Getting Ready for Retirement?

Read the Information Sheet "Preparing for Retirement", available at www.uapp.ca under "Publications".

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.



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. Other contact information is available on our website, www.uapp.ca, under "Contact Us".

Keep Your Beneficiary Information Updated

If you leave employment and leave your funds with the UAPP, it will be important to ensure the UAPP has your most up-to-date beneficiary information. Use the UAPP Designation of Spouse and Non-Spouse Beneficiary form, available at www.uapp.ca under "Forms". Doing so will help expedite any required payment to your beneficiaries. Make sure your family and your executor know you are entitled to a benefit from the UAPP.

Reminder!

The Board of Trustees ■ Universities Academic Pension Plan
#1002, Park Plaza ■ 10611- 98 Avenue ■ Edmonton AB T5K 2P7