

Communiqué

Summer 2021



First Quarter 2021 Returns

The UAPP Fund experienced a gain of 2.6% in the first quarter of 2021.

Summary of Investments as at March 31, 2021

Total Market Value \$5,872.7 Million

Market Value and Asset Mix	31-Mar-21		31-Dec-20	
	(\$million)	Actual Mix (%)	(\$million)	Actual Mix (%)
Cash & Short-term	13.2	0.2	12.6	0.2
Universe Bonds & Mortgages	850.5	14.5	880.3	15.3
Real Return Bonds	376.9	6.4	407.4	7.1
Long Bonds	594.4	10.1	664.9	11.6
Total Cash & Fixed Income	1,835.0	31.2	1,965.2	34.1
Canadian Equities	759.0	12.9	688.8	12.0
Global Equities	2,033.9	34.6	1,968.3	34.2
Total Equities	2,792.9	47.6	2,657.1	46.2
Real Estate	397.5	6.8	387.3	6.7
Infrastructure & Private Equity	792.6	13.5	692.0	12.0
Timberland & Other Alternatives	54.7	0.9	54.8	1.0
Total Alternative Investments	1,244.8	21.2	1,134.1	19.7
Total Investments	5,872.7	100.0	5,756.4	100.0

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

Investment Performance of the Fund	Quarter ending 31-Mar-21	One Year ending 31-Mar-21	Four Year ending 31-Mar-21
Cash and Short-term	0.1	0.5	1.4
<i>FTSE Canada 91-Day T-Bill Index</i>	0.0	0.2	1.1
Fixed Income	-6.8	3.4	4.2
<i>Fixed Income Investments Indices</i>	-6.9	2.1	3.9
Canadian Equity	10.2	50.4	5.7
<i>S&P/TSX Capped Composite Index</i>	8.1	44.3	8.0
Global Equity	5.0	42.7	8.8
<i>MSCI World & Emerging Markets Indices</i>	3.0	37.2	11.1
Real Estate	2.6	-6.0	2.8
<i>IPD Large Institutional All Property Index</i>	2.6	-1.9	4.2
Alternative Investments	8.3	16.3	10.0
<i>Alternative Investments Indices</i>	2.4	3.3	6.1
Total Investment Return	2.6	24.0	7.4
<i>Policy Benchmark Return</i>	0.1	18.3	7.1

2020 Member Statements Available

The 2020 member statements have now been uploaded to the Retirement Planner at www.uapp.ca for active members and mailed for retired and suspended members. Please call the UAPP Administration Centre at 1.866.709.2092 if you need any help accessing your statement.

Asset/Liability Modeling

The Universities Academic Pension Plan's Board of Trustees have the fiduciary duty to monitor the plan's investments on an ongoing basis. This requires a regular review of the asset mix employed for the fund to achieve the financial goals of the plan. Part of that review includes regular asset/liability modeling studies. The most recent study performed for UAPP was completed in 2016 and it is considered good practice to execute a study every five years or so, or when the plan experiences a major change in its liability structure. As such, beginning in early Summer of 2021, the UAPP will be undertaking an Asset/Liability Modeling study.

The purpose of the study is to do a thorough review of the pension plan's asset allocation strategies with an eye on the Board's appetite for risk in the plan's investments. The study will allow the Board to take a comprehensive look at the risks and rewards of potential asset mixes, including measuring the impact of those mixes on the funding of the pension liabilities held in the plan on behalf of its members.

With assistance from the plan's investment consultant, the Board will examine a number of variables, including:

- Return and risk expectations of available asset classes,
- Projected contribution and pension payment flows,
- Potential changes in the pension plan's membership demographic profile, and
- Anticipated changes in both economic (i.e. inflation, interest rates, member salaries, etc.) and demographic (i.e. mortality, termination and retirement rates, etc.) assumptions.

The asset/liability modeling study involves the running of thousands of scenarios that will provide the Board with some guidance in adopting an updated asset mix policy for the pension plan. It is important to note that the study's output will not be the sole determinant of the ultimate asset allocation but will rather act as a useful tool in the process. Any updates to the policy will be implemented at the study's conclusion, likely late 2021 or early 2022. Following that implementation, the Board will evaluate how the new policy differs from the existing policy and undertake an asset manager search to enact any needed changes to the asset mix.

UAPP Investment Management Partners

Unlike many larger Canadian pension plans, like the Canada Pension Plan and the Ontario Teachers' Pension Plan, the UAPP does not manage its investments "in-house". Instead, UAPP hires external investment managers to provide this service on behalf of the pension plan and its members. The monitoring and evaluation of the performance of these managers is the responsibility of the UAPP's Board of Trustees. The Board works with the managers towards the goal of achieving sufficient risk-adjusted returns to ensure the funding of the plan's pensions.

As the pension plan heads into its asset/liability modeling study, UAPP maintains strong working relationships with four investment managers. Those managers and their respective investment mandates are summarized below, along with the approximate portion of the UAPP fund that they manage:

1. **State Street Global Advisors (SSGA)** – manages approximately 45% of the fund as at March 31, 2021
 - a. SSGA became a UAPP service provider beginning in mid-March 2021.
 - b. As of April 2021, SSGA manages the Public Equity portion of the portfolio, including Canadian, Global, and Emerging Market equities.
 - c. The Public Equity investments are temporarily being managed on a passive basis (i.e. invested in line with the appropriate market indices) until such time as the asset/liability modeling study is complete and the UAPP Board of Trustees are expected to select an investment manager to take over this portion of the portfolio and manage it on an actively managed basis.
2. **Alberta Investment Management Corporation (AIMCo)** – manages approximately 35% of the fund as at March 31, 2021
 - a. AIMCo has been an investment partner with UAPP since their inception in 2008. Until 2013, AIMCo was UAPP's sole investment manager.
 - b. AIMCo manages all UAPP's Alternative investment portfolio which includes Private Equity, Real Estate, Infrastructure, and Timberlands.
 - c. AIMCo also manages a portion of the UAPP's Fixed Income portfolio, primarily through Real Return Bonds and Mortgages.
3. **Beutel Goodman** – manages approximately 10% of the fund as at March 31, 2021
 - a. Beutel Goodman has been providing UAPP with investment management services since 2013 when they were hired to take over approximately 50% of the fund's Long and Universe Bond mandates.
4. **Fiera Capital** – manages approximately 10% of the fund as at March 31, 2021
 - a. Fiera Capital was also hired to provide UAPP with investment management services starting in 2013 when they took over the other approximately 50% of the fund's Long and Universe Bond mandates.

Asset Mix

As UAPP begins the process of conducting the asset/liability modeling study to help inform decisions around the plan's future asset mix, it may be worthwhile to review the fund's current targets. Asset mix allocations for pension plans are generally defined in the Statement of Investment Policies and Goals (SIP&G). The SIP&G for the UAPP can be found on the plan's website under Publications: www.uapp.ca/publications/statement-of-investment-policies-and-goals/.

The SIP&G is a comprehensive document established by the Board of Trustees to guide the investments of the pension plan's fund. If the Board elects to update the fund's asset mix following the asset/liability modeling study, an updated SIP&G would be required. In the meantime, the current SIP&G took effect January 1, 2021 and includes the following portfolio asset mix and benchmarks.

Asset Class	Benchmark	Long-term Policy Weight	Allowed Range (Percent of Market Value)
TOTAL FIXED INCOME		35.0%	26-41
Cash and Short-term Universe Bonds	FTSE Canada 91 Day T-Bill Index	0.0%	0-1
Long Duration Bonds	FTSE Canada Universe Bond Index	11.5%	8-14
	FTSE Canada Overall Long Term Bond Index	11.5%	8-14
Mortgages	FTSE 60% Short Term/40% Mid Term Bond Index + 75 bps	5.0%	3-7
Real Rate of Return Bonds	FTSE Canada Real Return Bond Index	7.0%	5-9
TOTAL PUBLIC EQUITY		45.0%	40-60
Canadian Equities	S&P/TSX Capped Composite Index	12.0%	10-20
Global Equities (includes US, Non-North American, developed & some Canadian)	MSCI World Total Return Net Index	26.0%	22-31
Emerging Markets Equities	MSCI Emerging Markets Net Index	7.0%	5-9
TOTAL ALTERNATIVE CLASSES		20.0%	12-25
Real Estate	MSCI/REALPAC Canadian All Property Index	8.0%	5-11
Private Equity	CPI + 650 bps	5.0%	0-7
Infrastructure	CPI + 600 bps	7.0%	3-9
Timberland	CPI + 400 bps	0.0%	0-1

The previous allocation to Timberlands will be redeemed in the future. Until such time as the redemption occurs, the Infrastructure Policy Weight shall be reduced by any allocation in Timberlands.

Feature on UAPP Website

The UAPP website includes a section of Information Sheets intended to provide members with detailed discussion on a range of administrative issues found to be most relevant to members. The Information Sheets section at www.uapp.ca/publications/information-sheets/ includes the following Information Sheets:

- [Combined Pensionable Service](#), a benefit for members who move directly between UAPP and the Public Service Pension Plan (PSPP).
- [Death Before Retirement](#), intended to answer questions about what happens to a member's pension if they die prior to retirement.
- [Division and Distribution of Pension Entitlement on Marriage Breakdown](#) which covers the topic of splitting the pension as part of family property.
- [Establishing Pension Credits for Leave Periods](#) where we try to answer member questions about buying pension service for a period of a Leave of Absence.
- [Leaving The Plan – Age 55 and Over](#) and [Leaving the Plan – Under Age 55](#), two documents intended to summarize a member's pension choices upon leaving the pension plan.
- [New Member Basics](#), a summary of basic general information that new members of the plan should know.
- [Pension Appeal Process](#), where we summarize the Board of Trustees' process for members to appeal administrative decisions of the plan's administrators.
- [Pension Options – Member With a Spouse](#) and [Pension Options – Member Without a Spouse](#), which list and explain in detail the pension options available to plan members upon retirement, depending upon marital status at date of retirement.
- [Preparing for Retirement](#) which provides a checklist of things for members to think about while they consider retirement.
- [Purchasing Prior Service](#) is a summary of general information for members on whether they are eligible to purchase prior service and how to proceed in doing so.
- [Retired Member Guide](#) where we provide general information for members during their retirement.

If you:

- **are new to the UAPP**, we encourage you to spend some time reviewing our website, www.uapp.ca. You will find lots of information in the “Publications” section, including our Member Handbook and a New Member Basics Information Sheet. Questions about UAPP can be directed to the Trustees’ Office at board@uapp.ca.
- **leave employment and leave your funds in UAPP**, ensure the UAPP has your most up-to-date address and beneficiary information. Use the UAPP Designation of Spouse and Non-Spouse Beneficiary form, available at www.uapp.ca/forms/. Keeping current 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.
- **are thinking about retirement**, you can run an unlimited number of estimates on the Retirement Planner, adjusting for important details like retirement dates and future salary adjustments. Also, read the Information Sheet “Preparing for Retirement”, available at www.uapp.ca/publications/information-sheets/.
- **would like to comment on the service you received**, if you recently used the services of any group (the UAPP Administration Centre, CIBC Mellon, the Human Resources Department at your institution, or the UAPP Trustees’ Office) on a matter related to the UAPP, please feel free to write to us at board@uapp.ca. Other contact information is available on our website, www.uapp.ca/contact-us/.
- **have questions about your pension or the Retirement Planner**, call the UAPP Administration Centre toll-free at 1.866.709.2092.

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