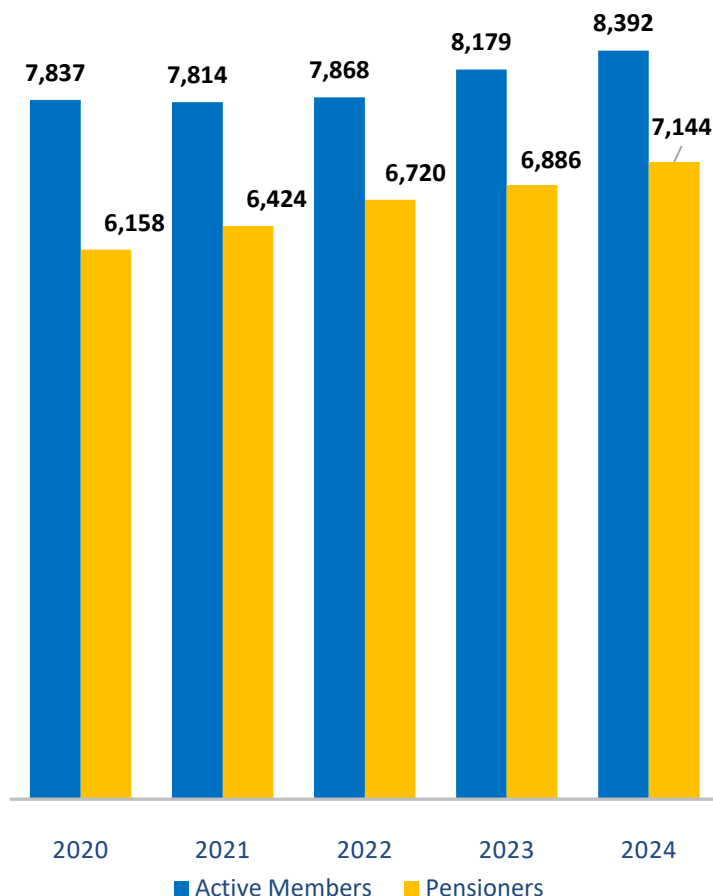


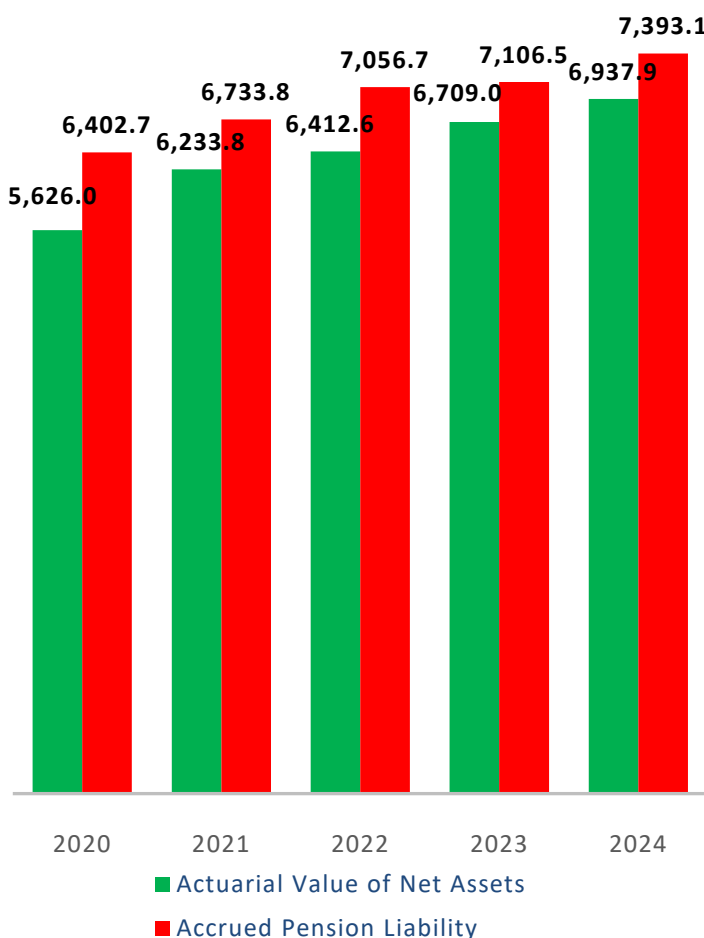
# COMMUNIQUE – SPRING 2025

The UAPP's 2024 Annual Report has been released, and this issue of the Communiqué provides financial, statistical, and other summary highlights of the Report. The full Annual Report is available at [uapp.ca/publications/annual-reports/](https://uapp.ca/publications/annual-reports/).

## Active and Pensioner Member Totals



## Assets and Liabilities (\$ millions)



## Contributions and Benefit Payments plus Expenses (\$ millions)



# COMMUNIQUE – SPRING 2025

Following several years of stability, the past year was one of significant change for UAPP. Some of that change was anticipated. After almost twelve years in the role of Executive Director, Dave Schnore retired at the end of March. On April 1, I was honoured to take on the responsibility of serving as UAPP's new Chief Executive Officer. I want to thank the Board of Trustees for giving me this opportunity to serve UAPP's members and stakeholders. It is a privilege to take on this new role after working at UAPP as Director, Finance and Administration since September 2013.

Rebecca Lasquety, UAPP's first Chief Operating Officer, has been working very hard on making improvements to all pension administration processes, meeting with employers, managing Plan communications, and developing the UAPP Cybersecurity Strategic Plan.

Due in part to growth in the roster of investment managers, we identified the need to expand resources at the Trustees' Office, something that hasn't happened since the office was first founded in 2001. With significant growth in Plan membership and assets and increasing demands for enhanced risk management, rapidly evolving cybersecurity challenges, and elevated expectations for internal investment monitoring, we set out to hire a dedicated investment professional and to divide the finance and administration roles. These changes are expected to cultivate advancements in the oversight capabilities of the Trustees' Office to better enable the Board to fulfill its mission.

The hiring of our first Chief Investment Officer, Vasily Prosolupov, was completed in November 2024. Based on Vasily's past experiences working at another pension plan and an asset manager, I am eager to put his exceptional investment knowledge and expertise to work for UAPP and its stakeholders. He has outlined his strategic vision for UAPP's investments to include:

- building collaborative and transparent partnerships with all investment managers to enhance alignment with the Plan's objectives,
- developing quantitative tools for investment manager sourcing, monitoring, and decision-making support,
- building an efficient process to identify, assess, and monitor investment managers, and
- building a high-performing investment team to foster long-term success.

With the finance and administration roles split within the management team, Rebecca will have greater capacity to ensure the pension transformation project is successfully implemented. Her knowledge, experience, and steady leadership have proven extremely valuable as we spent time in 2024 exploring what the future of pension administration will look like for UAPP.

To assess and mitigate the risks of this project, and to ensure sufficient internal capabilities for managing the Fund's investment risks, UAPP will benefit from the tools to be developed by our new Chief Financial Officer Paola Matallana. Starting in January 2025, Paola brings a wealth of risk management expertise and is the first team member with an accounting designation since 2008.

I also want to acknowledge the superb contributions of our other team members: Vinko, Chloe, and Lise.

Each year in December, UAPP publishes its Business Plan for the coming three-year period which includes a summary of the Board's mission and values as well as the Board's strategic direction. As 2024 ends, it is fitting to evaluate how UAPP fulfilled the Board's mission during the year and how we intend to continue to do so in 2025 for each of four areas of focus:

# COMMUNIQUE – SPRING 2025

## **Provide High Quality, Cost-Effective Pension Benefits Administration Services**

UAPP has not been receiving high quality pension administration services commensurate with the needs of the Plan's members and stakeholders. While the process to implement the new solution will take several months, major improvements are planned that will greatly benefit all members and stakeholders. Rebecca will be managing the progression of these services to the new system and insource delivery as her primary focus is pension administration.

## **Optimize Long-Term Investment Returns**

Building relationships with the new investment managers, developing internal monitoring tools, and improving investment governance and risk management processes will all be key components of optimizing long-term investment returns. An asset-liability modeling study will be conducted in 2025 to closely review the Fund's asset mix. Vasily will continue the work he started in 2024 in overseeing these processes to enhance internal stewardship of investments by the Trustees' Office.

## **Provide Effective Communications**

In February 2024, UAPP's new website was launched. It continued to feature all the valuable publications site visitors have come to expect but also included a new tool for contacting the Trustees' Office. The 2023 Annual Report published in April 2024 featured more information than any prior annual report and the quarterly Communique, written with the goal of informing members about the plan and pension topics in general, remained a popular section. A detailed change management plan is being developed to fully communicate the changes to all members and employers over the coming months.

## **Practice Effective Governance**

Changes were made during the year to the Statement of Investment Policies and Goals and the Funding Policy as UAPP begins the process of complying with the new CAPSA Guideline which was released in September 2024. Work to incorporate all provisions of this Guideline will continue throughout 2025. In spring 2024, both cybersecurity and risk management were identified as vital areas of increased focus for the Trustees' Office. The UAPP Cybersecurity Strategic Plan was created with several important measures implemented throughout the year. Securing member data and assets are crucial components to the work of UAPP and the cybersecurity landscape continues to evolve at a rapid pace. Paola will be working to develop a more comprehensive risk management framework for the Plan.

The challenges facing UAPP continue to change. Greater geopolitical volatility around the world creates significant challenges for the Plan's investments. Cybersecurity threats affecting the Fund and member data are evolving exponentially. Regulators, members, and employers have increased expectations for the management of risks faced by pension plan administrators. To navigate these new and ever more difficult situations, UAPP has been carefully building its team to enlist the sufficient and talented resources needed to ensure the ongoing security of pension benefits. The Trustees' Office will continue work towards our goal to provide secure and sustainable pensions to our members by delivering high quality services to stakeholders, prudent investments, cost consciousness, and effective risk management from a culture of discipline, determination, accountability, and integrity.

Chris Schafer  
Chief Executive Officer

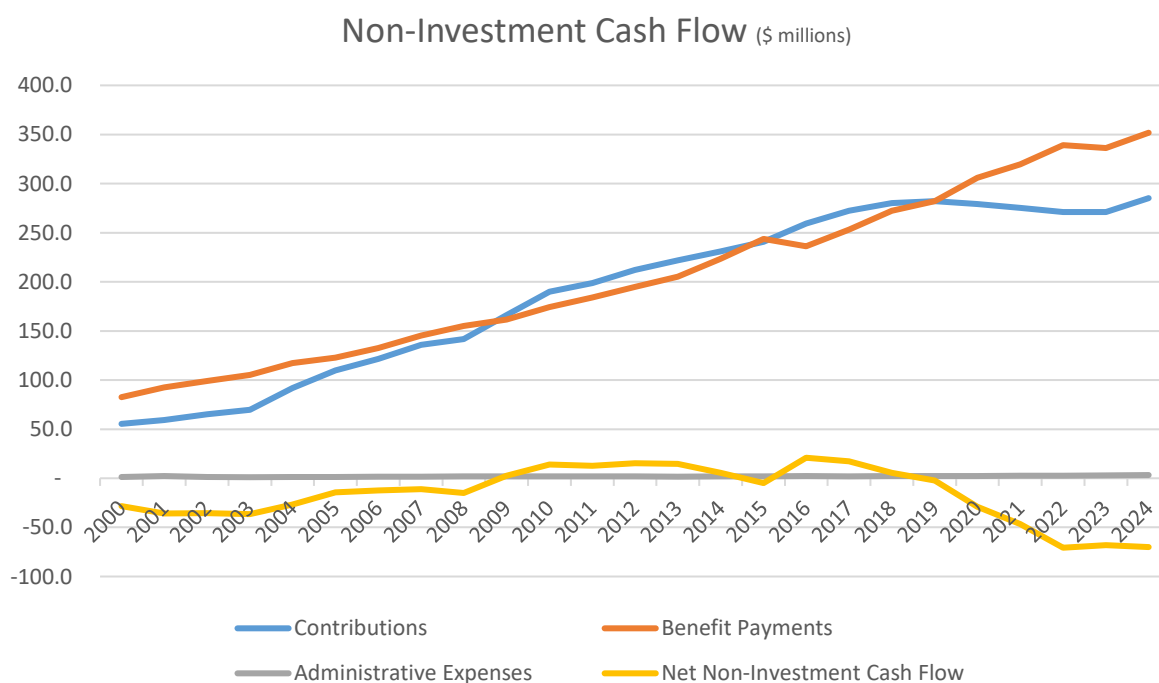
# COMMUNIQUE – SPRING 2025

## Financial Position of the Plan

### The Plan's Assets

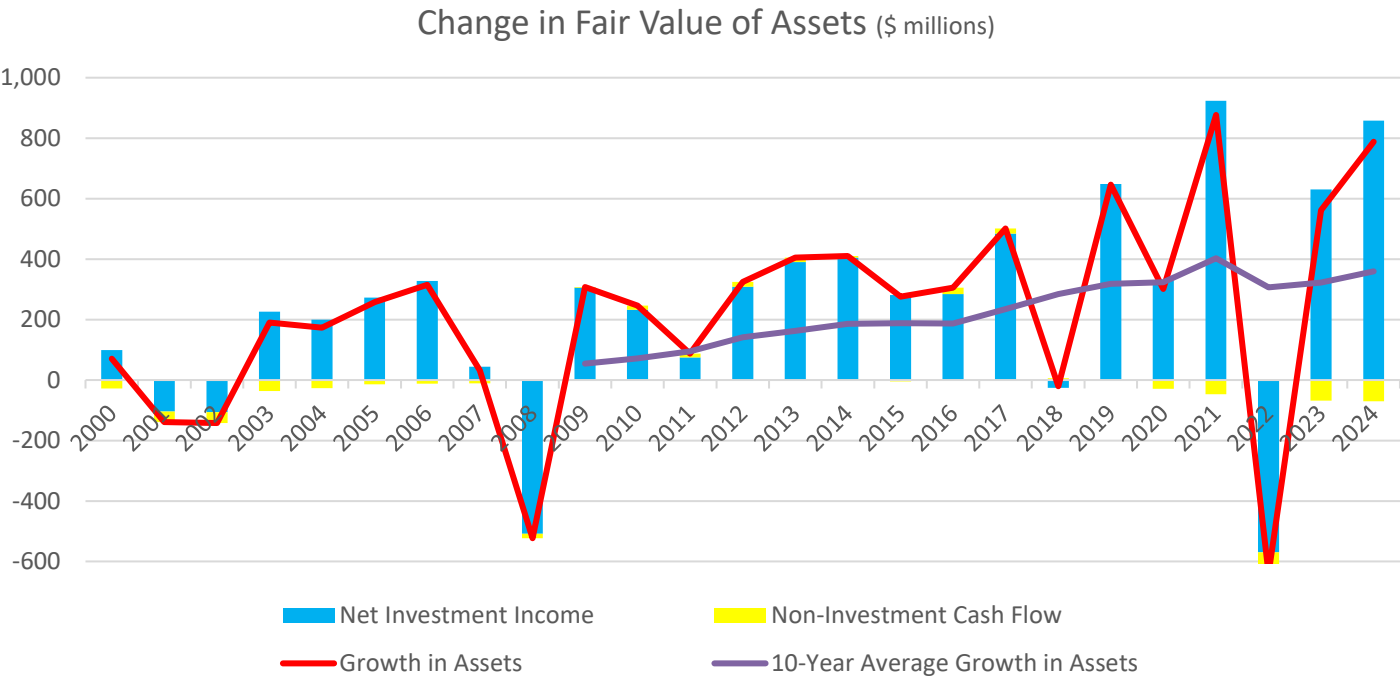
The market value of the Plan's assets grew to \$7,364.2 million at December 31, 2024, increasing from the Fund value of \$6,576.2 million at the same time in 2023. Investment returns during the year of 13.4 per cent, which followed a Fund return of 10.5 per cent in 2023, have put the Plan's assets at their highest level ever. In the last actuarial valuation, the assumed rate of return was 5.62 per cent per annum, so investment performance has significantly outperformed over the past two years. Growth in the Plan's assets is entirely due to investment returns.

Contribution rates increased slightly as of July 1, 2024, but total contributions received (\$285.2 million) during the year were still significantly less than benefit payments (\$351.8 million). For the past six years now, UAPP has been in a net negative cash flow situation.



Except for the significant investment losses in 2022 and a small loss in 2018, the value of assets has grown consistently each year since the Global Financial Crisis of 2008. In the past ten years, the Fund has increased in size by an average of \$359.7 million per year. In 20 of the past 25 years, net investment income has been positive, providing annual average growth of \$224.5 million in that time. With the Plan continuing to be in a situation with net negative cash flow, investment returns provide crucial growth in the assets to help ensure future pensions remain secure.

# COMMUNIQUE – SPRING 2025

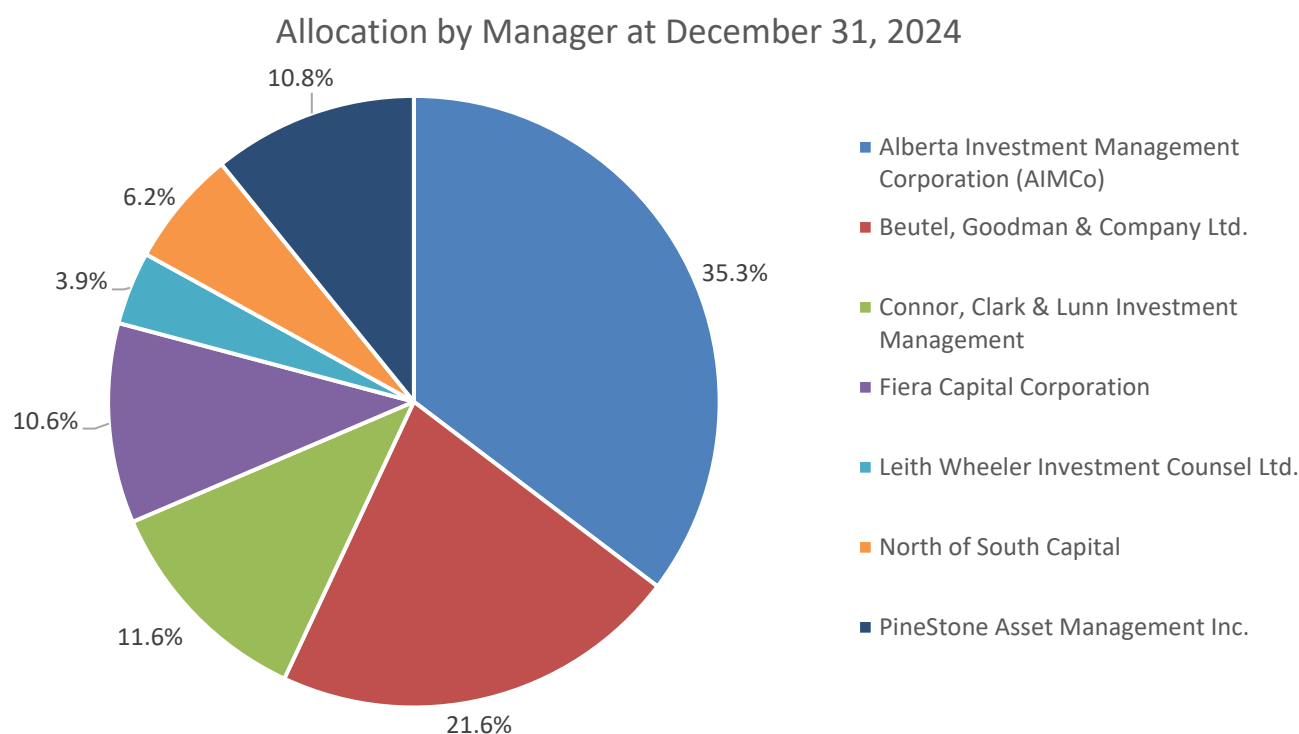


Over the course of 2024, UAPP transitioned \$2,859.9 million in assets from passive management of the public equity portfolio by State Street Global Advisors to the five new active managers hired following an extensive search process. This transition involved splitting the funds into three global equity mandates and one mandate for each of Canadian equities and emerging markets equities.

The new global equity managers are Beutel, Goodman & Company Ltd., Connor, Clark & Lunn Investment Management, and PineStone Asset Management Inc. Beutel has been one of UAPP’s fixed income managers since 2013 and now manages 21.6 per cent of the total portfolio at the end of 2024. Each of these global equity managers received \$721.0 million between March and May 2024.

The new Canadian equity manager is Leith Wheeler Investment Counsel Ltd. who received \$255.9 million in March 2024. The new emerging markets manager is North of South Capital who received \$441.0 million in October 2024.

# COMMUNIQUE – SPRING 2025



These transfers complete a process that began in 2021 and UAPP is cautiously optimistic for the Fund to return to active management in all asset classes.

## The Plan's Liabilities

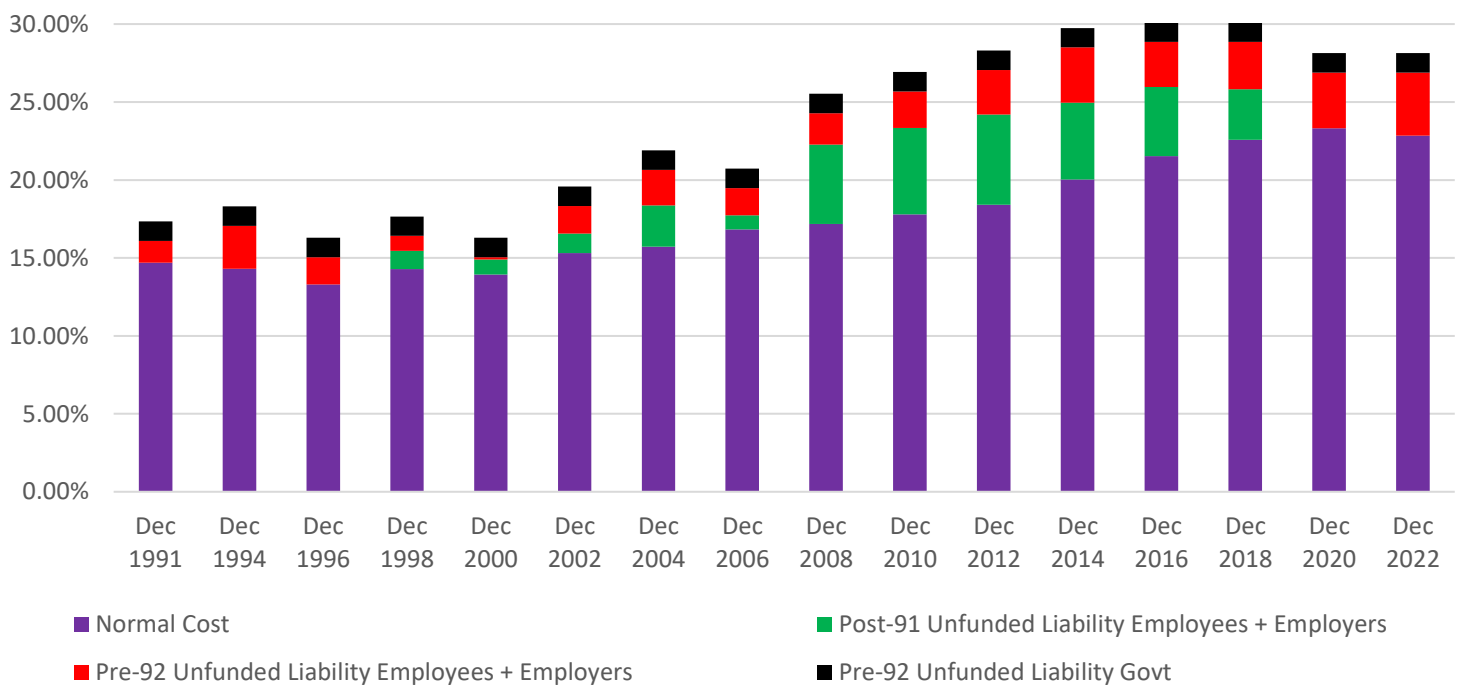
The total liability in the Plan as at December 31, 2024 is calculated to be \$7,393.1 million as compared to \$7,106.5 million at the end of 2023, representing an increase of 4.0 per cent year over year. The liability in both this and last year's financial statements are based on extrapolations of the liability calculated in the most recent actuarial valuation as at December 31, 2022. An actuarial valuation using data as of December 31, 2024 will be completed in 2025 and will be available for use in the 2025 financial statements.

As part of the upcoming actuarial valuation, the Board will evaluate the entire assumption set adopted for the Plan. To prepare for this important work, the actuary will be conducting a study on the mortality experience of the Plan members. This study will provide valuable insights for the development of an appropriate assumption for the life expectancies of members, a key component in the process of accurately valuing the lifetime pensions provided to members and their beneficiaries. UAPP has historically acted promptly to adjust this assumption as new information becomes available. Actuarial research shows that excess mortality directly and indirectly due to COVID-19 is a multi-year phenomenon and, with the start of the pandemic now five years ago, some of that experience will be included in the forthcoming study.

# COMMUNIQUE – SPRING 2025

In addition to mortality, one of the other more influential assumptions is the discount rate. During each valuation, the Board spends a considerable amount of time reviewing the discount rate and evaluating the implications of setting it at various levels. The discount rate reflects the long-term expected rate of return on investments with a margin for adverse deviation. The Board will apply its funding objectives in setting this rate, keeping in mind the goal of ensuring the provision of the pension benefits to members and their beneficiaries and the secondary objective of stable contribution rates. Based on the results of the last valuation, the total contribution rate commencing on July 1, 2024 remained unchanged from the previous valuation though the split rates rose very slightly.

Contribution Rates by Type by Actuarial Valuation Date  
(as % of salary)

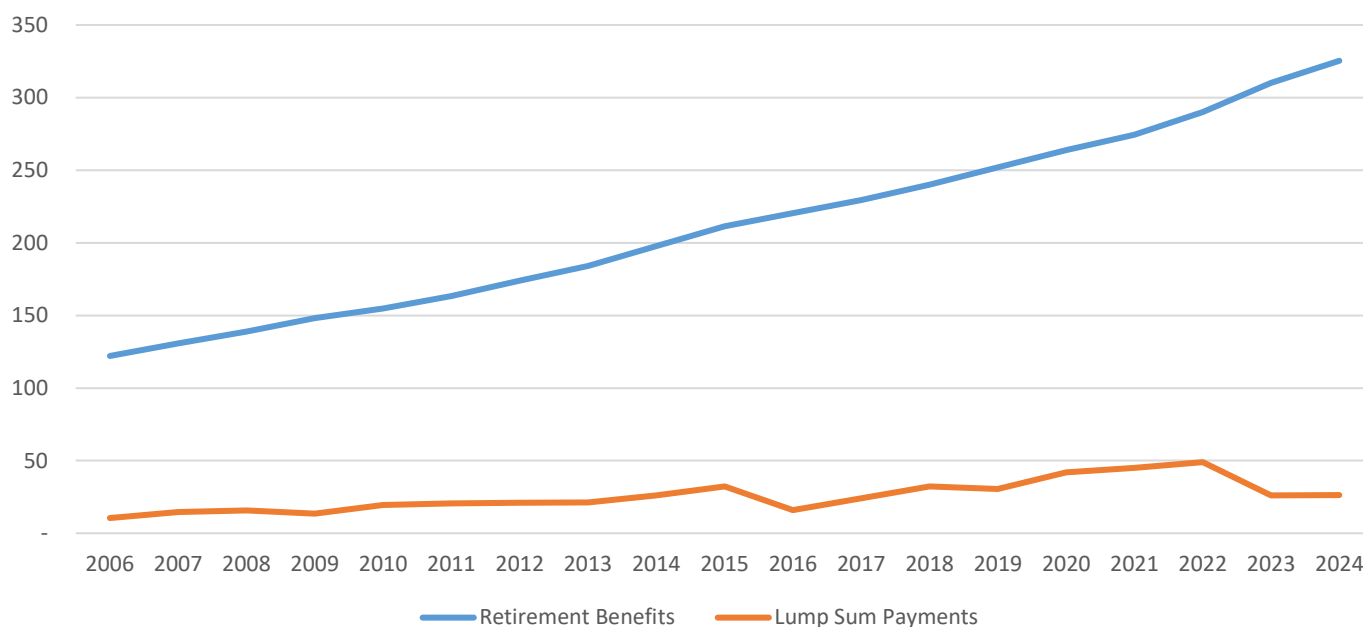


The total contribution rate from the last valuation at December 31, 2022 (28.13 per cent) is the lowest rate since the December 31, 2010 actuarial valuation (26.93 per cent).

As summarized in the Administration Report, the number of members receiving a pension from the Plan continues to increase. Combined with the annual Cost-of-Living Adjustment (COLA), this growth means that the total amount of pensions paid increases each year. Given the assumptions made during the actuarial valuation, particularly with respect to mortality and inflation rates (which directly impacts the COLA), this rise in total annual pensions paid is anticipated and accounted for in the contribution rates recommended by the actuary.

# COMMUNIQUE – SPRING 2025

Annual Pensions and Lump Sum Payments (\$ millions)



While the sum of all monthly pensions paid continues to rise gradually year over year, the total lump sum payments comprises a small part of the Plan’s benefit payments and fluctuates on an annual basis. Pensions are generally more stable since these payments remain ongoing for the lifetimes of retired members. Lump sum payments, on the other hand, vary with the number of members terminating employment and withdrawing their funds in any given year. Further, lump sums are determined based on interest rates prevailing at the time of the payout, meaning greater variability in the present value of these payments as interest rates change.

## The Plan’s Funded Ratio

The ratio of the Plan’s actuarial value of assets to its liabilities (the funded ratio) decreased slightly from 94.4 per cent at the end of 2023 to 93.8 per cent at December 31, 2024.

	December 31, 2024			December 31, 2023		
	<u>Pre-1992</u>	<u>Post-1991</u>	<u>Total</u>	<u>Pre-1992</u>	<u>Post-1991</u>	<u>Total</u>
Fair Value of Net Assets	403.3	6,960.9	7,364.2	427.2	6,149.0	6,576.2
Actuarial Adjustment	(28.8)	(397.5)	(426.3)	11.6	121.2	132.8
Actuarial Value of Net Assets	374.5	6,563.4	6,937.9	438.8	6,270.2	6,709.0
Accrued Pension Liability	1,288.8	6,104.3	7,393.1	1,342.3	5,764.2	7,106.5
Actuarial (Deficiency) Surplus	(914.3)	459.1	(455.2)	(903.5)	506.0	(397.5)
Actuarial Funded Ratio	29.1%	107.5%	93.8%	32.7%	108.8%	94.4%

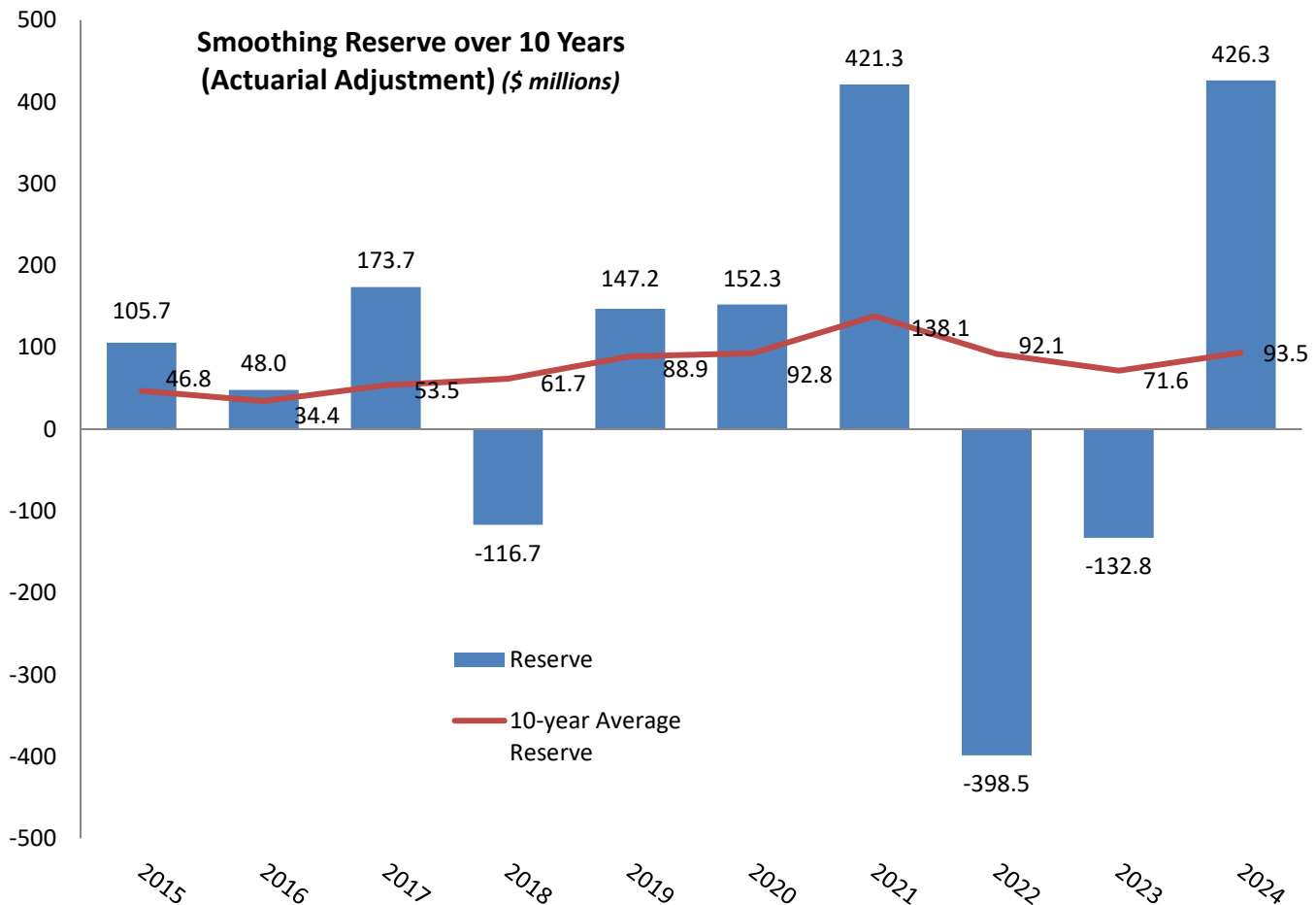
(all figures in \$millions)



# COMMUNIQUE – SPRING 2025

Despite outstanding investment performance over the past two years, the slight deterioration in the funded ratio was entirely expected due to the smoothing method applied to the actuarial value of assets. At the December 31, 2022 valuation, the smoothing method generated an overstatement of the assets wherein the actuarial value exceeded the market value. This negative reserve has been reversed through the excellent Fund performance during 2023 and 2024. At December 31, 2024, a positive reserve is experienced as the smoothed value of assets is now below market value. The positive reserve will provide some protection for the Fund should it experience poor investment returns in 2025 and 2026.

The actuarial value of the Fund increased from \$6,709.0 million at December 31, 2023 to \$6,937.9 million at the end of 2024. At December 31, 2024, the actuarial value is \$426.3 million less than the market value, representing a growth of \$559.1 million in the reserve. The positive reserve in 2024 provides the largest buffer experienced by UAPP, slightly exceeding the previous largest reserve of \$421.3 million at the end of 2021.



# COMMUNIQUE – SPRING 2025

Going into the last actuarial valuation at December 31, 2022, the Plan's financial position had deteriorated due to the poor -8.6 per cent rate of return earned by the Fund in 2022 which resulted in a significant negative reserve where the actuarial value of assets was overstated compared to the market value. However, since that valuation, the Fund has earned two years of excellent returns with 13.4 per cent in 2024 and 10.5 per cent in 2023, leading nicely into the December 31, 2024 actuarial valuation. As noted earlier, the Plan now experiences a large positive reserve wherein the actuarial value of assets is understated compared to the market value, building a robust margin should future performance deteriorate. On a market-value basis, the financial position of the Plan has improved from 92.5 per cent at the end of 2023 to a very healthy 99.6 per cent at December 31, 2024. This market value financial position is the highest ever experienced by the Plan.

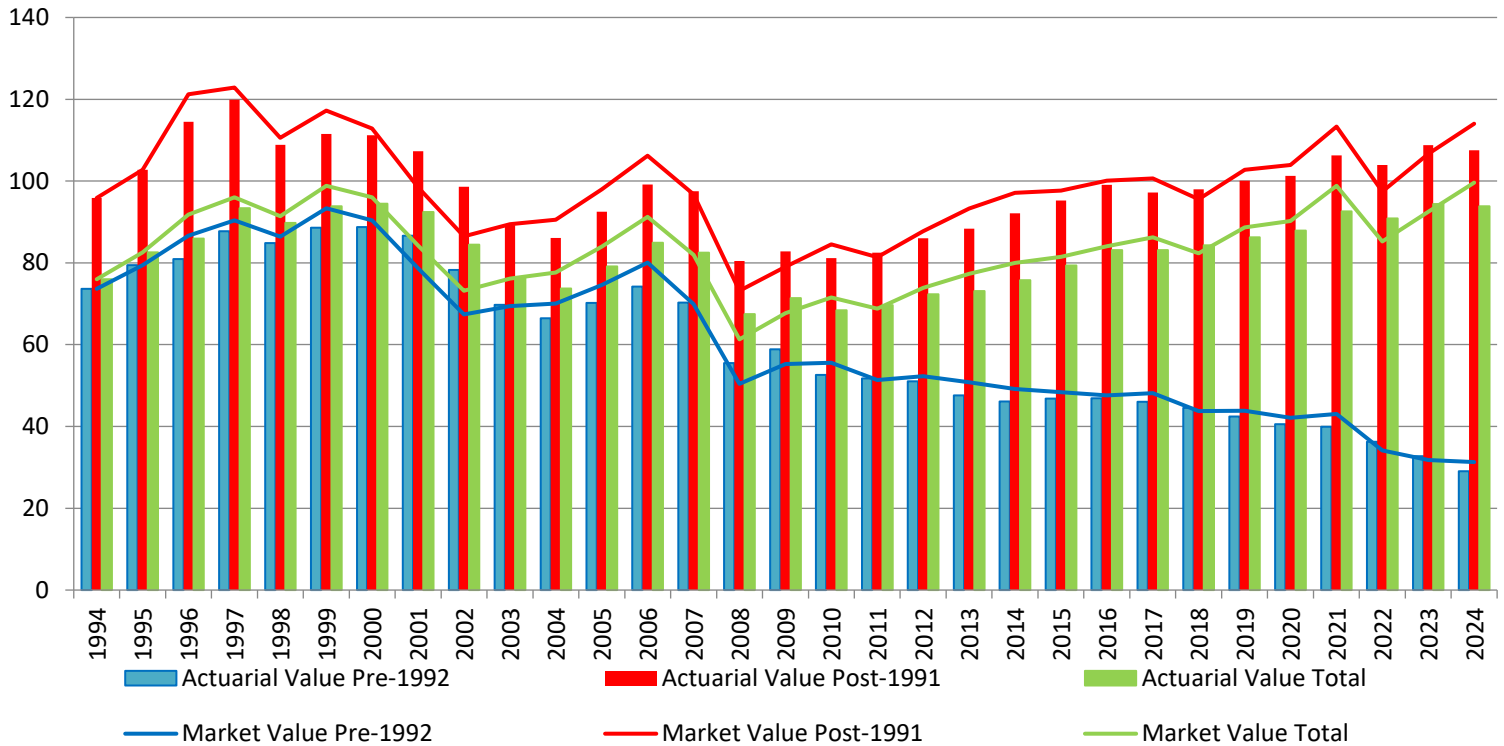
The upcoming actuarial valuation will provide an update on the status of the unfunded liability originally established in the Plan as at December 31, 1991. That deficit was amortized to 2043 and continues to require special funding. The Government of Alberta shares in that deficit funding by contributing 1.25 per cent of total salaries of all active members in the Plan. The employer and member contribution rates required to fully fund this deficit are determined each valuation.

The funded ratio of the pre-1992 epoch is 31.3 per cent on a market value basis (2023: 31.8 per cent), and the funded ratio on an actuarial value basis is 29.1 per cent (2023: 32.7 per cent). Because this segment of the Plan relates to service accrued prior to 1992, the members with pensions accrued in this period are significantly older than the rest of the Plan's membership. As such, the mortality assumption is particularly impactful for this group and a review of the Plan's mortality experience will help ensure these liabilities are appropriately valued.

As for pensions accrued after December 31, 1991, the financial position remains very healthy and benefits more directly from the outstanding investment performance. The funded ratio for this period is 114.0 per cent on a market value basis (2023: 106.7 per cent) and 107.5 per cent on an actuarial value basis (2023: 108.8 per cent). The large increase on the market value basis is due to the excellent Fund returns while the actuarial value basis deteriorates due to the smoothing method described earlier.

# COMMUNIQUE – SPRING 2025

Funded Ratio: Total, Pre-1992, and Post-1991 Periods  
Actuarial and Market Asset Values (per cent funded)



With funding ratios for the total Plan approaching 100 per cent in the last few years, members and beneficiaries can be assured that the Board will continue to work hard to attain the long-term goal of ensuring the provision of the promised pension benefits.

# COMMUNIQUE – SPRING 2025

## Retirement Planner

Active members of UAPP have automatic access to the Retirement Planner, only needing to register. The member portal can be accessed via the LOGIN icon found at the top right corner of the [UAPP's home page](#) or by clicking on the Click Here button found by scrolling down to Key Information:



### KEY INFORMATION

## Retirement Planner

On your first visit to the Retirement Planner, please click Register. Now after selecting the link below. You can prepare retirement estimates that use your actual data and you can access your annual member statement. For assistance, please call the UAPP Administration Centre at 1.866.709.2092 between 6 a.m. and 6 p.m. Alberta time during business days.

CLICK HERE



Within the Retirement Planner, you can perform retirement calculations by running an unlimited number of pension estimates, adjusting for important details like retirement dates and future salary adjustments. You can also access your Annual Member Statement. If you have questions about your pension or the Retirement Planner, please call the UAPP Administration Centre toll-free at 1.866.709.2092.

## Publications

The UAPP website includes a host of publications intended to assist members in understanding their pension plan. In addition to this [Communique](#), these publications include the [Member Handbook](#), [Annual Report](#), and several [Information Sheets](#), covering a range of topics such as New Member Basics, Pension Options, Death or Leaving the Plan Before Retirement, Preparing For Retirement, and the Retired Member Guide.

## Contact Us

If you terminate employment and leave your funds in UAPP, ensure we have your current address and beneficiary information. [Email us](#) to update your address. Beneficiaries can be updated by using the [UAPP Designation of Spouse and Non-Spouse Beneficiary form](#). Make sure your family and executor know you are entitled to a benefit from the UAPP.

### Universities Academic Pension Plan – Board of Trustees Office

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