

AESRP

Financial Update - July 2015

The Board of Trustees for the Shared Risk Plan for Academic Employees of the University of New Brunswick (AESRP) is pleased to provide you with this annual update, as required under the New Brunswick Pension Benefits Act. In a shared risk plan, contributions, cost of living adjustments (COLA) and benefits are linked to the financial position of the Plan. That's why the Plan is managed under strict risk management rules and it is very important for you to understand the factors that may influence your benefits over time.



Highlights

Here is an overview of the pension fund financial position as at July 1, 2015 and the evolution of the main financial indicators. Please read the following pages for more details and explanations.

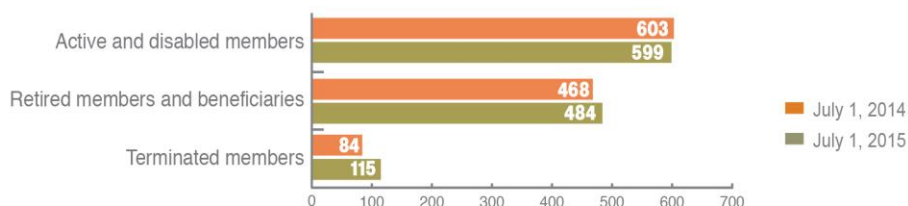
	July 1, 2015	July 1, 2014	Comments
PENSION FUND ASSETS	\$289,652,000	\$272,208,000	
ANNUAL PERFORMANCE OF PENSION FUND INVESTMENTS	4.69%	15.87%	Benchmark return for the fund for 12-month period ending July 1, 2015 was 7.86%
CONTRIBUTIONS (preceding 12-month period)			
By Members	\$8,511,000	\$7,681,000	Contribution rate unchanged since July 2013
By the University of New Brunswick	\$8,511,000	\$7,681,000	Increase is due to increases in salaries
FUNDING STATUS			
Plan liability	\$320,751,969	\$309,656,022	
Open Group Funded Ratio	116.7%	113.0%	Must be greater than 105% for COLA to be granted
Termination Value Funded Ratio	90.3%	87.9%	
RISK ASSESSMENT			
Primary risk management test	98.1%	98.2%	Must be at least 97.5% for COLA to be granted
Secondary risk management test	84.1%	87.5%	Goal is to meet or exceed 75%

The financial position of the Plan slightly improved from July 1, 2014 to July 1, 2015. All risk management goals, set by law and defined in the Funding Policy, were met. There has been no need to either reduce or increase contribution rates or alter benefits payable by the Plan since its conversion to a shared risk plan on July 1, 2013. Moreover, the financial position and risk management tests were such that the maximum Cost of Living Adjustment (COLA) of 1.49% was granted effective January 1, 2016 (the increase was 1.29% for retirees and terminated members on the portion of their pension accrued after June 30, 2004).



Membership

From July 2014 to July 2015, the number of members changed as follows:



On July 1, 2015, the average age of active and disabled members was 51.1 and the average age of retired members and beneficiaries was 72.9.



Financial statements

Here is an overview of the changes in assets for the year ended June 30, 2015, compared to the preceding year.

	2015	2014
NET ASSETS, BEGINNING OF YEAR	\$272,208,000	\$232,421,000
INCREASE IN ASSETS	\$30,130,000	\$52,647,000
Investment income and change in market value	\$13,108,000	\$37,285,000
Total contributions (members and UNB)	\$17,022,000	\$15,362,000
DECREASE IN ASSETS	(\$12,686,000)	(\$12,860,000)
Pension benefits	(\$10,338,000)	(\$9,774,000)
Lump sum settlements	(\$455,000)	(\$1,496,000)
Investment and administrative expenses	(\$1,893,000)	(\$1,590,000)
NET ASSETS, END OF YEAR	\$289,652,000	\$272,208,000



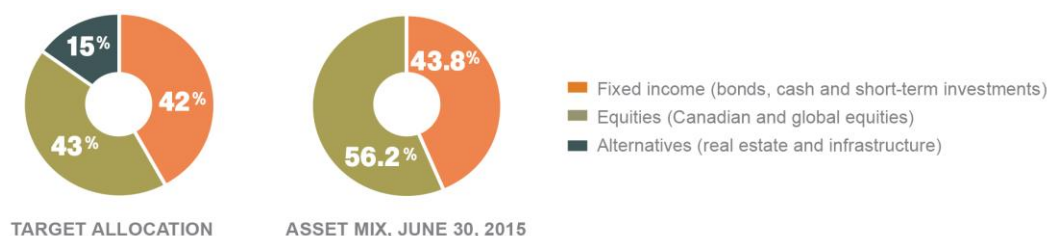
Investments

INVESTMENT RETURN

The rate of return earned on the market value of assets, from July 1, 2014 to June 30, 2015 was 4.69%. The benchmark return for the fund for the same period was 7.86%.

ASSET ALLOCATION

Here is how the pension fund assets were invested as at June 30, 2015, compared to the target asset allocation set by the investment policy approved by the Board of Trustees. A gradual transition to the target asset allocation was started in 2015 and is expected to continue throughout 2016.





Funding status

FUNDING POLICY

The Funding Policy is a key governing document. It sets the funding objectives and the conditions under which cost of living adjustments (COLA) before and after retirement can be granted, whether contributions have to be increased, decreased or maintained, and, if necessary, when benefits must be reduced. You can consult the funding policy at www.unb.ca/hr/academicpensionplan.

ACTUARIAL VALUATION

As required by legislation, the Plan actuary appointed by the Board of Trustees must perform an actuarial valuation of the Plan every year to closely monitor its financial status. The valuation consists of comparing Plan assets with its liability using a series of assumptions to determine the funding level and conducting risk management tests. The last valuation was done as at July 1, 2015.

Funded Ratios as at July 1, 2015

	Open Group Funded Ratio	Termination Value Funded Ratio
VALUE OF ASSETS	\$374,217,101	\$289,514,278
LIABILITY	\$320,751,969	\$320,751,969
FUNDED RATIO	116.7%	90.3%
PREVIOUS YEAR (JULY 2014)	113.0%	87.9%

The **Open Group Funded Ratio** indicates the long-term financial health of the Plan. In this calculation, the value of assets includes an amount representing the present value of the next 15 years of excess contributions (being the contributions expected to be deposited to the Plan in excess of the value of the benefits to be accrued during those 15 years). This ratio is mainly used to determine actions to be taken by the Board of Trustees in accordance with the terms of the Funding Policy.

The **Termination Value Funded Ratio** is a measure of the current funded position of the Plan. It is used to calculate lump sum benefits payable from the Plan upon termination of employment of members.

RISK MANAGEMENT TESTS

Under regulatory requirements, a shared risk plan must implement a risk management approach to ensure the security of benefits. The actuary must conduct risk management tests based on multiple scenarios over a 20-year period. The results of these tests for the last two Plan years are as follows:

	July 1, 2015	July 1, 2014	Target	Met
PRIMARY RISK MANAGEMENT GOAL	98.1%	98.2%	97.5%	
SECONDARY RISK MANAGEMENT GOAL	84.1%	87.5%	75%	

The **primary risk management goal** is defined as the probability that base benefits will not need to be reduced in any year over the next 20 years. Provided that the target of 97.5% is achieved at a valuation date, COLA may, if funded ratios allow, be granted for the following January 1st.

The **secondary risk management goal** requires that the Plan be designed such that, on average, over the 20 years following conversion, active members can expect to receive at least 75% of the increase in the Consumer Price Index (CPI) on their accrued pensions before retirement and retirees, including beneficiaries, can expect to receive at least 75% of the amount of COLA that the prior formula would have provided. The 75% threshold must be met at conversion, and when major changes are subsequently made.

COST OF LIVING ADJUSTMENT

Since the Plan converted to a shared risk plan, a Cost of Living Adjustment (COLA), both during active membership and retirement, is not automatic but rather provided only when certain financial criteria are met. To grant a COLA in a given year, the Open Group Funded Ratio must be at least 105% and the primary risk management test must meet the 97.5% threshold. On July 1, 2015, these two criteria were met and a 1.49% COLA was granted effective January 1, 2016 (the increase was 1.29% for retirees and terminated members on the portion of their pension accrued after June 30, 2004).

IN CASE OF PLAN TERMINATION

It is important to note that, as per regulations and in the unlikely event that the Plan were to be terminated before July 1, 2018, benefits would be calculated according to the prior plan provisions, as if the conversion never occurred.



Board of Trustees

The Board of Trustees is responsible for administering the Plan in accordance with the Federal Income Tax Act, the New Brunswick Pension Benefits Act, the official Plan text and the Funding Policy. Among their main responsibilities, the most important are to act in the best interest of all Plan members and to carefully manage risk. Current members of the Board are as follows:

BOARD OF GOVERNORS' APPOINTEES

Mr. Larry Guitard (Co-Chair)
Mr. Ryan Johnston
Mr. Peter McDougall
Ms. Barbara Nicholson

AUNBT APPOINTEES

Dr. Norm Betts (Co-Chair)
Dr. Mehmet Dalkir
Prof. Dorothy DuPlessis
Dr. Alyssa Sankey
Dr. Gopalan Srinivasan

The day-to-day administration is conducted by the Human Resources & Organizational Development Department of UNB.



Partners and advisors in the management of the Plan

Actuary and Investment Management Consulting	Willis Towers Watson
Custodian	RBC Investor & Treasury Services
Auditor	KPMG LLP
Legal Counsel	McInnes Cooper
Pension Administration	Morneau Shepell
Investment Managers	BlackRock, Inc., Sprucegrove Investment Management Ltd., Grantham, Mayo, Van Otterloo & Co. (GMO), Beutel Goodman and State Street Global Advisors.

In October 2015, the Board of Trustees hired the New Brunswick Investment Management Corporation (now Vestcor Investment Management Corporation) as both custodian and investment manager.



For more information

The detailed Funding Policy, Financial Statements and Actuarial Valuation Report are available on the Plan website at www.unb.ca/hr/academicpensionplan.