

# AESRP

## Financial Update – July 2021

The Board of Trustees for the Shared Risk Plan for Academic Employees of the University of New Brunswick (AESRP or Plan) 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 is 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, 2021 and the evolution of the main financial indicators. Please read the following pages for more details and explanations.

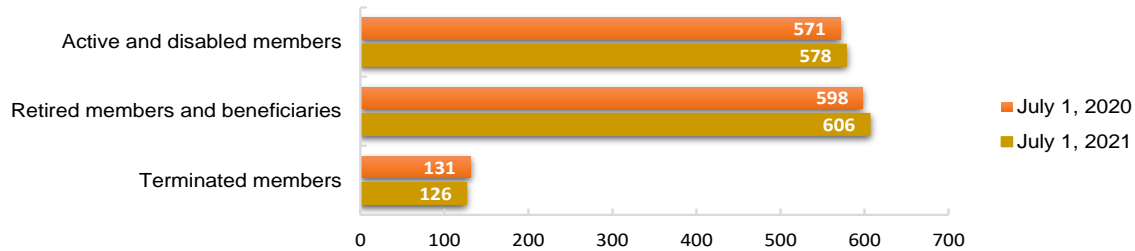
	July 1, 2021	July 1, 2020	Comments
<b>PENSION FUND ASSETS</b>	\$423,078,000	\$389,477,000	
<b>ANNUAL PERFORMANCE OF PENSION FUND INVESTMENTS</b>	9.0%	2.4%	Benchmark return for the fund for 12-month period ending July 1, 2021 was 10.0%
<b>CONTRIBUTIONS (preceding 12-month period)</b>			
<b>By Members</b>	\$9,404,000	\$9,255,000	Contribution rate unchanged since July 2013
<b>By the University of New Brunswick</b>	\$9,404,000	\$9,255,000	
<b>FUNDING STATUS</b>			
<b>Plan liability</b>	\$434,122,000	\$418,607,000	
<b>Open Group Funded Ratio</b>	117.0%	112.0%	Must be greater than 105% for COLA to be granted
<b>Termination Value Funded Ratio</b>	97.5%	93.0%	
<b>RISK ASSESSMENT</b>			
<b>Primary risk management test</b>	95.9%	91.2%	Must be at least 95.0% for COLA to be granted
<b>Secondary risk management test</b>	81.2%	72.6%	Goal is to meet or exceed 75%

The financial position of the Plan improved from July 1, 2020 to July 1, 2021. This main source of improvement is investment return which was higher than expected. The improvement in funding level had a positive impact on the primary and secondary risk management test results, which meant that COLA could be provided again on January 1, 2022, after not being provided on January 1, 2021. There has been no need to change contribution rates or otherwise alter benefits payable by the Plan as a result of the July 1, 2021 actuarial valuation. More information on the risk management tests and the granting of COLA are found later in this document.



## Membership

From July 2020 to July 2021, the number of members changed as follows:



On July 1, 2021, the average age of active and disabled members was 51.2 and the average age of retired members and beneficiaries was 75.7.



## Financial statements

Here is an overview of the changes in assets for the year ended June 30, 2021, compared to the preceding year.

	2021	2020
<b>NET ASSETS, BEGINNING OF YEAR</b>	\$389,477,000	\$379,047,000
<b>INCREASE IN ASSETS</b>	<b>\$53,516,000</b>	<b>\$27,634,000</b>
Investment income and change in market value	\$34,708,000	\$9,124,000
Total contributions (members and UNB)	\$18,808,000	\$18,510,000
<b>DECREASE IN ASSETS</b>	<b>(\$19,915,000)</b>	<b>(\$17,204,000)</b>
Pension benefits	(\$17,370,000)	(\$15,640,000)
Lump sum settlements	(\$1,072,000)	(\$247,000)
Investment and administrative expenses	(\$1,473,000)	(\$1,317,000)
<b>NET ASSETS, END OF YEAR</b>	<b>\$423,078,000</b>	<b>\$389,477,000</b>



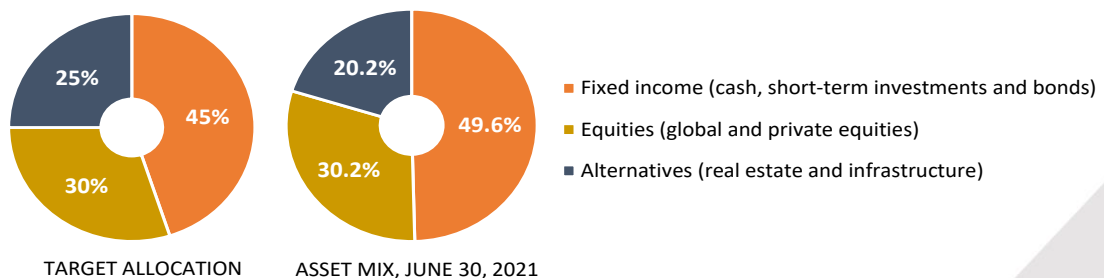
## Investments

### INVESTMENT RETURN

The rate of return earned on the market value of assets, from July 1, 2020 to June 30, 2021 was 9.0%. This is lower than the benchmark return for the fund of 10.0% for the same period, but it exceeds the long-term nominal rate of return of 4.99% per annum calculated by the actuary at July 1, 2021 for the Plan's asset mix.

### ASSET ALLOCATION

Here is how the pension fund assets were invested as at June 30, 2021, compared to the target asset allocation last revised and approved by the Board of Trustees in November 2020.





## Funding status

### FUNDING POLICY

The Funding Policy is a key governing document. It sets the funding objectives and the conditions under which COLA 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/pension](http://www.unb.ca/hr/pension) under *Understand your plan's governance*.

### 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 conducted as at July 1, 2021.

#### Funded Ratios as at July 1, 2021

	Open Group Funded Ratio	Termination Value Funded Ratio
<b>VALUE OF ASSETS</b>	\$507,827,000	\$423,078,000
<b>LIABILITY</b>	\$434,122,000	\$434,122,000
<b>FUNDED RATIO</b>	<b>117.0%</b>	<b>97.5%</b>
<b>PREVIOUS YEAR (JULY 2020)</b>	112.0%	93.0%

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, 2021	July 1, 2020	Target	Met
<b>PRIMARY RISK MANAGEMENT GOAL</b>	<b>95.9%</b>	91.2%	95.0%	
<b>SECONDARY RISK MANAGEMENT GOAL</b>	<b>81.2%</b>	72.6%	75.0%	

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 a target of 95.0% is achieved at a valuation date, COLA may, if funded ratios allow, be granted for the following January 1<sup>st</sup>. This target was achieved at July 1, 2021.

The **secondary risk management goal** requires that, on average, over the next 20 years, 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 had to be met at conversion, and when major changes are subsequently made. This target was also achieved at July 1, 2021.

The Plan has met both risk management tests as of July 1, 2021, after being unable to meet those the year before. The Board is hopeful that with its continued focus on risk management, the Plan will be in a position to continue to meet the primary and secondary risk management goals in the future and therefore be in a position to continue to provide COLA.

### **COST OF LIVING ADJUSTMENT**

Since the Plan converted to a shared risk plan, a 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 a 95.0% threshold. The threshold of 95.0% was met at July 1, 2021, which means that COLA could be granted effective January 1, 2022. A memo dated February 1, 2022 was distributed to all members of the Plan and addressed this topic in detail.

### **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, 2023, the Superintendent of Pensions would have the authority to order that benefits be calculated according to the prior plan provisions, as if the Plan 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. Members of the Board as at June 30, 2021 were as follows:

### **BOARD OF GOVERNORS' APPOINTEES**

Ms. Jennifer Morrison (Co-Chair)  
Ms. Karen Cunningham  
Ms. Petra Bergner  
Mr. Ryan Johnston  
Mr. David O'Brien

### **AUNBT APPOINTEES**

Dr. Norm Betts (Co-Chair)  
Dr. Mehmet Dalkir  
Prof. Dorothy DuPlessis  
Dr. Alyssa Sankey  
Ms. Brenda Collings

The day-to-day administration is conducted by the People & Culture Department of UNB.



## **Partners and advisors in the management of the Plan**

Actuary and Investment Consulting  
Custodian  
Auditor  
Legal Counsel  
Pension Administration  
Investment Manager

Willis Towers Watson  
Vestcor Inc.  
KPMG LLP  
McInnes Cooper  
LifeWorks (formerly known as Morneau Shepell)  
Vestcor Inc.



## **For more information**

The detailed Financial Statements and Actuarial Valuation Reports are available at [www.unb.ca/hr/pension](http://www.unb.ca/hr/pension) under *Financial Information*.