

**Brandon University Retirement Plan  
Board of Trustees  
Wednesday, February 15, 2023 at 1:00 pm  
Clark Hall Room 104 & via Zoom**

**AGENDA**

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**1.0 Call to Order**

**2.0 Approval of Agenda and Minutes**

- 2.1 Approval of Agenda – February 15, 2023
- 2.2 Approval of Minutes – November 23, 2022

**3.0 Connor, Clark & Lunn Investment Management Ltd (L Ross Onder/P Muldowney)**

- 3.1 Investment Performance Review

**4.0 New Business (Eckler)**

- 4.1 July 1, 2023 COLA
- 4.2 Extrapolated funding position and considerations in performing a valuation as at December 31, 2022

**5.0 Continuing Business**

- 5.1 Plan Valuation as of December 31, 2022 discussion
- 5.2 End of Term Memberships
  - 5.2.1 Brent Cuvelier – April 2023 (S Lamont)
  - 5.2.2 Maurice Koschinsky – October 2023 (S Lamont)

**6.0 Correspondence**

6.1 CIBC Mellon Custodial Fees – Invoices

Invoice #	Duration	Amount
287354	Dec 1 – 31, 2022	\$10,630.60
285771	Nov 1 – 30, 2022	\$10,673.36
285477	Oct 1 – 31, 2022	\$10,339.16
282647	Sept 1 – 30, 2022	\$13,029.57

6.2 Connor, Clark & Lunn - Invoice

Invoice #	Duration	Amount
15591_1939	July 1 – Sep 30, 2022	\$215,703.96

6.3 Eckler Ltd.

<b>Invoice #</b>	<b>Duration</b>	<b>Amount</b>
Administration Services 0194BUN10-EB1-22-3227	Oct 1 – Dec 7, 2022	\$19,366.65
Professional Services 0192BUN01-EB1-22-3543	Oct 1 – Dec 31, 2022	\$17,894.38
Professional Services 0192BUN01-EB1-22-3546	Oct 1 – Dec 31, 2022	\$882.00
Administration Services 0194BUN10-EB1-22-2607	Jul 1 – Sept 30, 2022	\$19,018.63
Professional Services 0192BUN01-EB1-22-2874	Jul 1 – Sept 30, 2022	\$4,852.26

7.0 **Upcoming Meeting Dates**

Wednesday, June 14, 2023	1:00 – 4:00 p.m.	Clark Hall Room 104
Wednesday, November 22, 2023	1:00 – 4:00 p.m.	Clark Hall Room 104



**Brandon University Retirement Plan  
Pension Trustees  
Wednesday, November 23, 2022  
MEETING MINUTES**

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Present: Allison Noto (Exempt)  
Blanca Garcia de Alvarado (IUOE-D) (via Zoom)  
David Taylor (BUFA)  
Doug Pickering (BUFA)  
Eric Raine (MGEU)  
Greg Misener (MGEU) (via Zoom)  
Maurice Koschinsky (Retiree) (via Zoom)  
Scott Lamont (Board of Governors)  
Shawn Chambers (Board of Governors) (via Zoom)

Guests: Andrew Kulyk, Eckler Ltd. (via Zoom)  
Lizanne Ross Onder, CC&L  
Peter Muldowney, CC&L (via Zoom)

Regrets: Brent Cuvelier (IUOE-A)  
Nicky Kreshewski (Resource)

Recording Secretary: Donna Neufeld

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**1.0 Meeting called to order at 1:03 p.m.**

The Chair started the meeting with an acknowledgement with respect to the lands the Brandon University campus is located.

**2.0 Approval of Agenda**

2.1 Approval of Agenda of November 23, 2022

Motion: Moved and Seconded (A Noto/D Pickering)

BE IT RESOLVED THAT THE agenda for the November 23, 2022 meeting of the Brandon University Retirement Plan Pension Trustees be approved as presented.

CARRIED

2.2 Approval of Minutes of June 8, 2022

Eric Raine's name needs to be added to the Attendees of the meeting.

Motion: Moved and Seconded (S Lamont/D Pickering)

BE IT RESOLVED THAT THE minutes for the June 8, 2022 meeting of the Brandon University Retirement Plan Pension Trustees be approved as amended.

CARRIED

**3.0 Connor, Clark & Lunn Investment Management Ltd. (L. Ross Onder/P. Muldowney)****3.1 Investment Performance Review**

L Ross Onder gave an overview of the CC&L Investment Performance Review presentation.

- Executive Summary:
  - Highest inflation levels since 1982 with both global developed and emerging market economies generally experiencing increases;
  - Central Banks willing to sacrifice growth to combat inflation and risk a recession;
  - After a brief respite in July, the unprecedented concurrent decline in both fixed income and equity markets continued through August and September;
  - In the third quarter, the Retirement Plan portfolio's return was flat, but was 0.5% ahead of the benchmark;
  - Year to date, the Retirement Plan portfolio's return was -16.3%, which was 1.0% above the benchmark;
  - Since the last meeting in June, the Retirement Plan has received capital calls for both real estate and infrastructure in excess of \$7.8 million;
  - The combined exposure to real estate and infrastructure was approximately 6.7% of total assets as at October 31, 2022 compared to the target of 20% of total assets.
  - The portfolio value for the quarter ending September 30, 2022, was just over \$204 million.
  - As of the close of the market on November 22, 2022, there was a rebound and the portfolio value is now just above \$215 million.
  - There is approximately \$13.5 million invested in Real Estate and Infrastructure.

P Muldowney gave an in-depth review of the equity funds in the portfolio.

- Canadian Equity
  - The Equity Markets continue to be very volatile; and ended the quarter down 1.4%.
  - The combination of the three Canadian Equity Managers led to a slight underperformance of the index by approximately 0.4% in the third quarter; however, year-to-date the portfolio is ahead of the index by 2.1%.
- Foreign Equity
  - Each of the Foreign Equity Managers for the quarter outperformed their respective indices and the US Fund also managed to deliver a positive return.
- Equity Markets – Outlook & Positioning
  - There is an increased likelihood of global recession.
  - In Canada, there are early signs that inflation has peaked and that a shift in monetary policy may occur in the near future.
- Lizanne gave an overview of the Bonds in the portfolio.
  - Fixed Income – Performance attribution, outlook & positioning
    - It was a positive quarter for Bonds.
- CC&L Infrastructure
  - Portfolio Characteristics as at June 30, 2022
    - The Fund is diversified with 90 individual Infrastructure projects and over 25 investments;
    - The portfolio participated in its 2<sup>nd</sup> capital call in October with an infrastructure investment in Alberta Midland Railway Terminal (AMRT).
- Crestpoint Real Estate –
  - Portfolio Characteristics as at June 30, 2022
    - The portfolio is invested in over 255 properties across Canada.
    - For Real Estate, the portfolio participated in its 3<sup>rd</sup> capital call in October 2022. This capital call the fund required 4 new properties.

- Responsible Investing Update
  - The investment teams adopt an engagement approach versus an exclusionary approach as proactively engaging with companies is really the most productive way to effect real and long-lasting change.
  - With respect to private market investments, the Infrastructure Team at CC&L considers ESG in their analysis of each and every investment as well as in the on-going management of the assets in the fund.
  - In Real Estate, the Team integrates environmental impact assessments for each property throughout their investment life cycle.
- Economic Outlook
  - Inflation is expected to come down, but it will take some time. In Canada, inflation is expected to stay above the Bank of Canada's target of 2% in the next year.
  - Economic growth year to date in Canada has been fairly stable and has outperformed most countries, the first half of 2022. Going forward slower economic activity is expected in Canada as well as globally.
  - Higher interest rates are expected to continue which will lead to tighter financial conditions which will in turn slow economic activity.
  - Inflation appears to have peaked and is beginning to ease downwards.
  - Markets continue to be volatile since the end of the third quarter, long bonds are up 1.2%, Canadian & Global Equities are both up approx. 10%, and Emerging Markets are up 4%.

#### 4.0 New Business

##### 4.1 Plan Valuation for the period ending December 31, 2022 (Eckler)

- A Kulyk noted that a Valuation was completed December 31, 2021 and for the first time in a long time, the Valuation can now be done every 3 years instead of annually.
- The Solvency Ratio was 89.4%, prior to 2021 the Plan had to be 90% funded to be on a 3-year funding cycle but that was changed in December 2021 to be 85%. The Plan was over 85% therefore, the next valuation is required to be filed December 31, 2024.
- The Valuation would need to be over 90% to make a change to the Plan to enhance benefits without fully funding it. The Plan is currently expected to be over the 90% threshold; therefore, a full valuation is required to capture that valuation rather than extrapolating based on the December 2021 valuation, which would not be reported to the Pension Commission, which is needed to establish the higher valuation.
- A Valuation is used for funding purposes for the University; but a different valuation is also used for the Plan's financial statements.
- The cost for Eckler to complete a Valuation is approx. \$30,000. An extrapolated valuation is approximately \$5,000.
  - New this year as part of the amended regulations is the Filing of the Statement of Investment Policies & Procedures with the Superintendent by June 30<sup>th</sup>.

Motion: Moved and Seconded (D Pickering/S Lamont)

BE IT RESOLVED THAT THE Brandon University Retirement Plan Pension Trustees approve Eckler complete a Plan Valuation for December 31, 2022.

Motion: Moved and Seconded (E Raine/A Noto)

BE IT RESOLVED THAT THE Brandon University Retirement Plan Pension Trustees table the Motion to complete a Plan Valuation for December 31, 2022 until February 2023.

CARRIED

4.2 Pension Valuation Debrief (S. Lamont)

- Scott spoke to the 2 Pension presentations to Brandon University staff by Eckler in November.
- They were well received approximately 30 attendees at each presentation.
- One of the feedback comments was that there should be a representative familiar with the Pension Plan from the University at these meetings to answer questions specific to the University's Pension Plan.

4.3 CC&L Reports (S. Lamont)

4.3.1 Monthly

4.3.2 Quarterly

4.3.3 Proxy & other reports

- CC&L sends electronic reports to the University regularly. The monthly and quarterly reports will be sent to Trustees regularly; the proxy and other reports will be sent when requested.

**5.0 Continuing Business**

5.1 Non-Binary Memo (A. Kulyk)

- A Kulyk gave an outline of the memo included in the agenda package
- The memo provides information with respect to gender disclosure on pension enrolment forms and a proposed change to said forms for the University Retirement Plan. Previously there was not a non-binary/genderqueer option.
- There would be a minor adjustment made to the way valuation are completed because it is currently based on a binary gender basis.
- A non-binary basis would be used that is based on the demographic of the Plan. That way a male, female or non-binary member with the same circumstances (age, earnings, service, etc.) would receive the same benefits regardless of their gender identity.

Motion Moved and Seconded (S Lamont/D Pickering)

BE IT RESOLVED THAT THE Brandon University Retirement Plan Pension Trustees adopt the proposed gender identification change to the Brandon University Retirement Plan Application for Membership Form.

CARRIED

5.2 Gender Disclosure – Pension Plan Enrolment Forms (A. Kulyk)

- The Member Enrollment Application Form included in the agenda package reflects the changes discussed.

5.3 Draft Plan Amendment Application Forms Changes (A. Kulyk)

- A Kulyk reminded the Trustees on the legislative changes in Manitoba that were implemented in 2021.
- One of the changes in the legislation now allows for a Plan to permit members to choose to stop contributing after age 65 and not accrue additional benefits.

- In 2010, the legislation introduced a requirement that a person retiring after their normal retirement date could not receive a benefit less than the actuarial equivalent of the pension had they retired at normal retirement age.
- Currently, when an employee postpones their retirement past 65, they continue to contribute to the Plan, and continue to accrue additional years of service. However, because the benefit cannot be less than the actuarial value of their pension if they retired at 65, an actuarial adjustment is made to the Pension to reflect the late commencement of the pension. When an employee eventually retires and begins to draw their pension after the age of 65, they receive the greater of what they would have received at age 65 adjusted for the late commencement or what the additional pensionable service accumulated.
- The pension adjustment is approximately 7 or 8% per year for each year the pension is postponed after age 65.
- When an employee will not receive a benefit for continuing to accrue service and contribute to the pension plan, they will have the option to stop contributing. The legislation enables an amendment to the Plan to provide the option for members to stop contributing at age 65.
- There is a small implied cost to the Plan relative to the current state because individuals are presently contributing and are not receiving any benefit from their contributions after age 65.
- Included in the package are two draft versions of amendments that would permit a member to stop contributing at age 65.
- A Kulyk recommended Version 2. He further noted that once a decision is made to stop contributing to the Plan, a member cannot change their decision in the future.
- Scott recommended that a communication be sent to all members turning 65 next current year.

Motion: Moved and Seconded (S Lamont/D Pickering)

BE IT RESOLVED THAT THE Pension Trustees approve the Amendment using Option 2 and recommend to the Board of Governors for approval as well as to BUFA for approval in principle.

Maurice Koschinsky, Greg Misener, Shawn Chambers &  
Blanca Garcia de Alvarado -

ABSTAINED

CARRIED

**6.0 Correspondence**

Motion Moved and Seconded (E Raine/A Noto)

BE IT RESOLVED THAT THE Brandon University Retirement Plan Pension Trustees approve the payment, after the fact, of the invoices from agenda items 6.1 through 6.3.

CARRIED

**7.0 Upcoming Meeting Dates**

Wednesday, February 22, 2023 1:00 – 4:00 pm Clark Hall Room 104  
Wednesday, June 14, 2023 1:00 – 4:00 pm Clark Hall Room 104  
Wednesday, November 22, 2023 1:00 – 4:00 pm Clark Hall Room 104

**8.0 Adjournment**

Motion Moved and Seconded (S Lamont/E Raine)

BE IT RESOLVED THAT THE Brandon University Retirement Plan Pension Trustees approved adjournment of the meeting at 3:28 p.m.

CARRIED





# BOARD OF TRUSTEES' MEETING

PETER MULDOWNEY & LIZANNE ROSS ONDER

February 15<sup>th</sup>, 2023

BRANDON UNIVERSITY RETIREMENT PLAN

## EXECUTIVE SUMMARY

- The fourth quarter closed off an unusual year which included inflation reaching levels not seen in four decades, the most aggressive rate hiking cycle in a generation and the largest armed conflict in Europe since WWII
- Capital markets have been driven by macroeconomic data
- Equity markets rallied in the fourth quarter as inflation moderated, but ended the year in negative territory
- Canadian Long Bonds declined in the fourth quarter and declined the most of the major markets for the calendar year
- The Retirement Plan portfolio's fourth quarter return was 5.0%, 0.5% below its benchmark
- For the calendar year, the Retirement Plan portfolio returned -12.1%, which was 0.6% above its benchmark
- The portfolio's annualized 4-year return was 7.8%, 2.0% above its benchmark
- Since the meeting in November 2022, there was an additional capital call for infrastructure

## PORTFOLIO VALUATION AND ASSET MIX

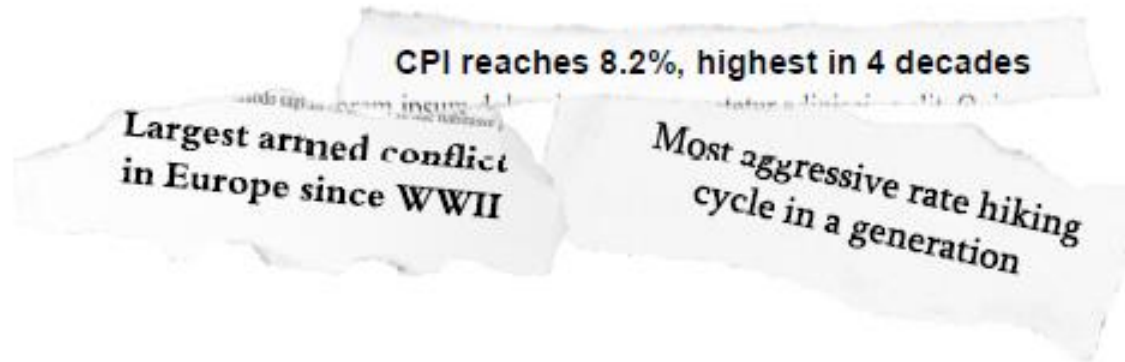
As at December 31, 2022

PORTFOLIO VALUE	RETIREMENT PLAN
Start of Quarter (October 1, 2022)	<b>\$204,004,363</b>
Contributions/Withdrawals	(\$1,889,593)
Gains/Losses	\$10,138,454
End of Quarter (December 31, 2022)	<b>\$212,253,224</b>

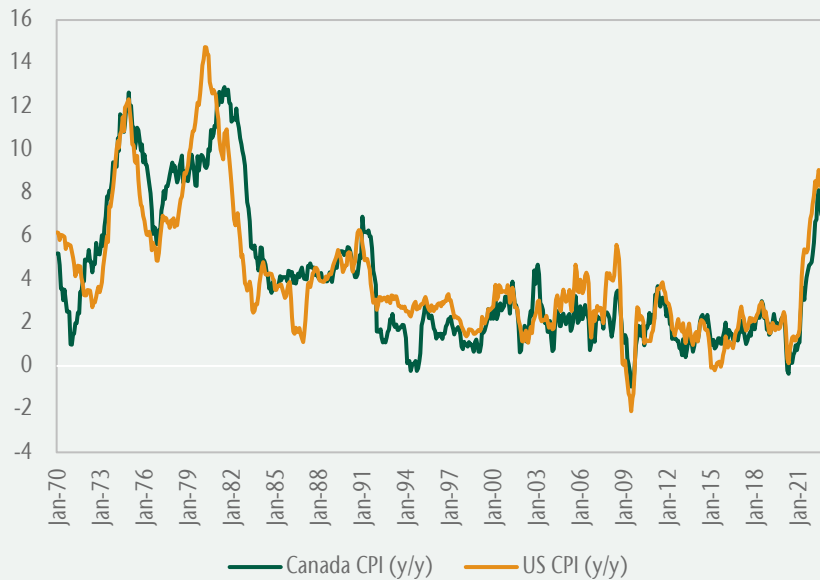
ASSET CLASS	FUND/TRUST	CURRENT MIX (%)	INTERIM POLICY MIX (%)	LONG-TERM POLICY MIX (%)
<b>Canadian Equity</b>	CC&L Q Equity Extension I	6.0	6.3	5.0
	SRA Canadian Equity	6.1	6.3	5.0
	PCJ Canadian Equity A	6.0	6.3	5.0
<b>Global Equity</b>	CC&L Q US Equity Extension A	18.4	18.5	18.5
	NS Partners International Equity A	19.1	18.5	18.5
<b>Emerging Market Equity</b>	CC&L Q Emerging Markets Equity	8.0	8.0	8.0
<b>Fixed Income</b>	CC&L Long Bond	29.9	30.5	20.0
<b>Real Estate</b>	Crestpoint Real Estate	5.8	5.0	10.0
<b>Infrastructure</b>	CC&L Institutional Infrastructure	0.8	0.8	10.0
<b>Total</b>		<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

# MACROECONOMIC SUMMARY

2022 was an unusual year

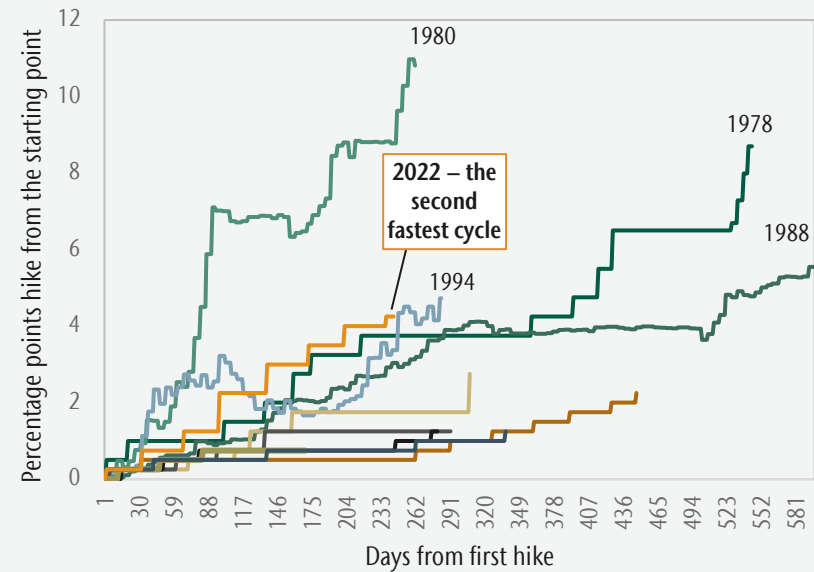


## Inflation



Source: Macrobond, Statistics Canada, U.S. Bureau of Labor Statistics

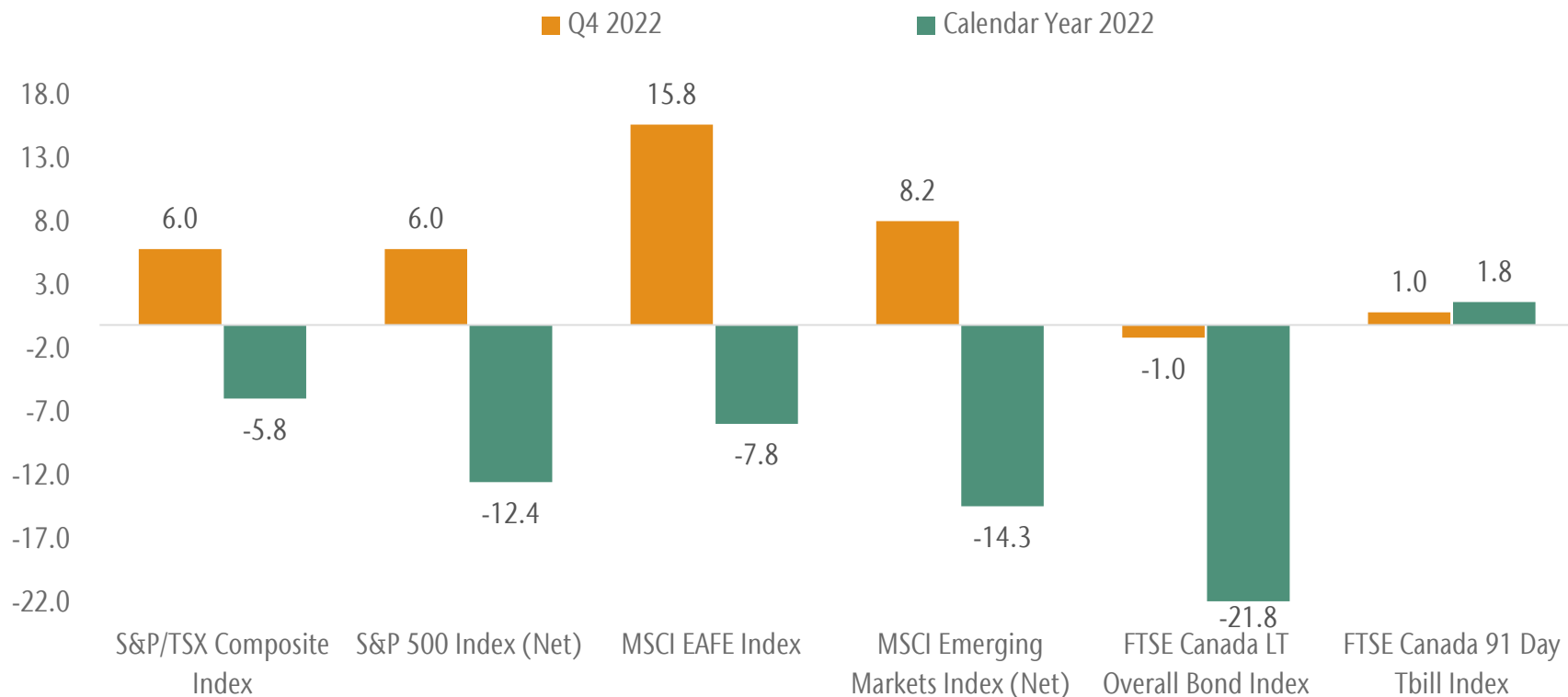
## Canadian Rate Hiking Cycles



Source: Macrobond, Statistics Canada

## MARKET REVIEW

- Equities rebounded sharply in the fourth quarter as markets responded to decelerating inflation and news of China re-opening
- Investors anticipated Central Banks would look to begin moderating interest rate hikes
- The Canada yield curve remained inverted due to higher short-term rates



Note: All index returns are in Canadian dollars

## INVESTMENT RETURNS

As at December 31, 2022

TOTAL PORTFOLIO	Q4 2022 (%)	Calendar Year (%)	4 Years (%)
<b>Brandon University Retirement Plan</b>	<b>5.0</b>	<b>-12.1</b>	<b>7.8</b>
Benchmark*	5.5	-12.7	5.8
<b>Added Value</b>	<b>-0.5</b>	<b>0.6</b>	<b>2.0</b>

\* Benchmark is evolving towards the long-term mix. The benchmark as at 12/31/2022 was 18.8% S&P/TSX Composite Index, 18.5% S&P 500 Index (net) (CAD), 18.5% MSCI EAFE Index (net) (CAD), 8% MSCI Emerging Markets (net) (CAD), 30.5% FTSE Canada Long Term Overall Bond Index, 5% Canada CPI + 4% & 0.8% Canada CPI + 5%.

## ASSET CLASS RETURNS

As at December 31, 2022

	FUND/TRUST	Q4 2022 (%)	Calendar Year 2022 (%)	4 Years (%)
<b>Total Canadian Equities</b>		<b>7.3</b>	<b>-2.4</b>	<b>13.2</b>
<b>Canadian Equity</b>	CC&L Q Equity Extension I	7.3	-2.4	13.9
	SRA Canadian Equity	8.1	0.9	14.1
	PCJ Canadian Equity A	6.5	-5.7	11.5
	S&P/TSX Composite Index	6.0	-5.8	11.2
<b>Total Global and Emerging Market Equities</b>		<b>8.8</b>	<b>-12.2</b>	<b>11.5</b>
<b>Global Equity</b>	CC&L Q US Equity Extension A	6.3	-10.6	-
	S&P 500 Index Net (CAD)	6.0	-12.4	-
	NS Partners International Equity A	11.8	-14.7	10.5
	MSCI EAFE Index (CAD)	15.8	-7.8	6.1
<b>Emerging Market Equity</b>	CC&L Q Emerging Markets Equity	7.4	-10.1	6.0
	MSCI Emerging Market Index Net (CAD)	8.2	-14.3	2.0
<b>Fixed Income</b>	CC&L Long Bond A	<b>-0.9</b>	<b>-21.4</b>	<b>-1.0</b>
	FTSE Canada Long Term Overall Bond Index	-1.0	-21.8	-1.5
<b>Alternatives</b>	Crestpoint Institutional Real Estate*	<b>2.1</b>	-	-
	CC&L Institutional Infrastructure**	<b>1.4</b>	-	-

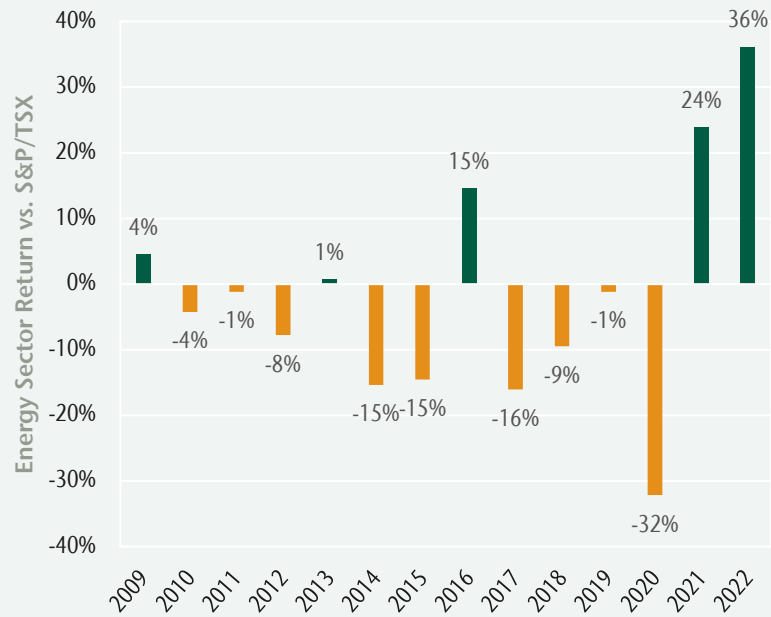
\*Since inception return to the end of Q3 2022. Inception date: April 7, 2022.

\*\* Since inception return to the end of Q3 2022. Inception date: May 30, 2022.

# CANADIAN EQUITY

## Market review

### Strong Relative Performance for Energy



Source: S&P Global Intelligence

### Value Outperformed Growth in 2022





## CANADIAN EQUITY

### Performance attribution

CC&L Q Equity Extension Fund	Q4 2022				Calendar Year 2022			
	Fund	7.3%	Index	6.0%	Fund	-2.4%	Index	-5.8%
Security Selection	Strong (industrials & energy)				Strong (IT & energy)			
Sector Allocation	Small negative overall				Positive overall			

SRA Canadian Equity Fund	Q4 2022				Calendar Year 2022			
	Fund	8.1%	Index	6.0%	Fund	0.9%	Index	-5.8%
Security Selection	Strong (financials & basic materials)				Strong (IT & basic materials)			
Sector Allocation	Small negative				Strong ( underweight IT )			

PCJ Canadian Equity Fund	Q4 2022				Calendar Year 2022			
	Fund	6.5%	Index	6.0%	Fund	-5.7%	Index	-5.8%
Security Selection	Positive (financials & industrials)				Positive (financials & energy)			
Sector Allocation	Neutral				Small negative (energy)			

## FOREIGN EQUITY

### Performance attribution

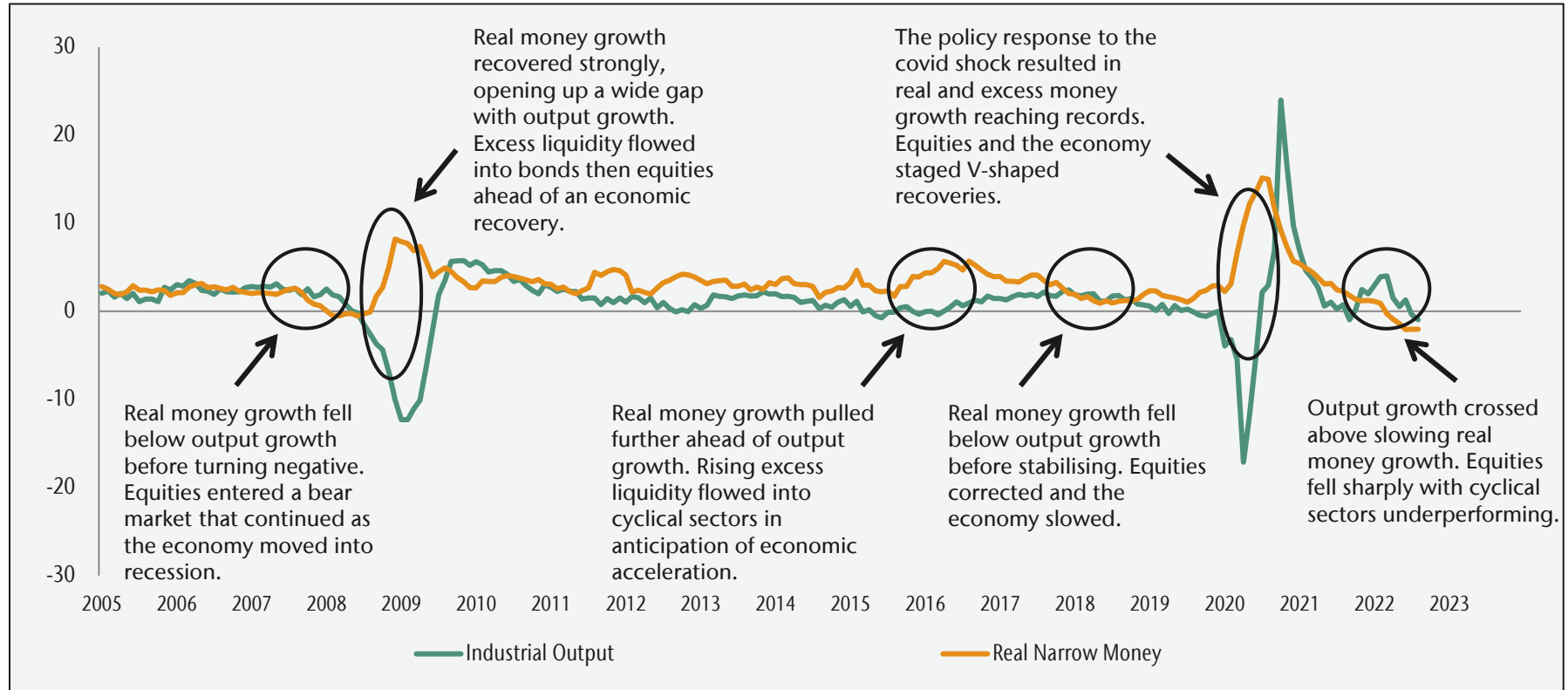
CC&L Q US Equity Extension Fund	Q4 2022				Calendar Year 2022			
	Fund	6.3%	Index	6.0%	Fund	-10.6%	Index	-12.4%
Security Selection	Positive (industrials, energy & cons discr.)				Positive (energy & industrials)			
Sector Allocation	Small negative				Positive (IT)			

NS Partners Intl Equity Fund	Q4 2022				Calendar Year 2022			
	Fund	11.8%	Index	15.8%	Fund	-14.7%	Index	-7.8%
Security Selection	Negative (across regions & sectors)				Negative (across regions & sectors)			
Sector Allocation	Negative (health care)				Small negative (IT)			
Region Allocation	Broadly neutral				Small positive (emerging markets)			

CC&L Q Em Mkts Equity Fund	Q4 2022				Calendar Year 2022			
	Fund	7.4%	Index	8.2%	Fund	-10.1%	Index	-14.3%
Security Selection	Neutral				Strong (industrials & financials)			
Sector Allocation	Negative (financials & utilities)				Strong (energy)			
Region Allocation	Negative				Strong (China & exiting Russia)			

# GLOBAL EQUITY

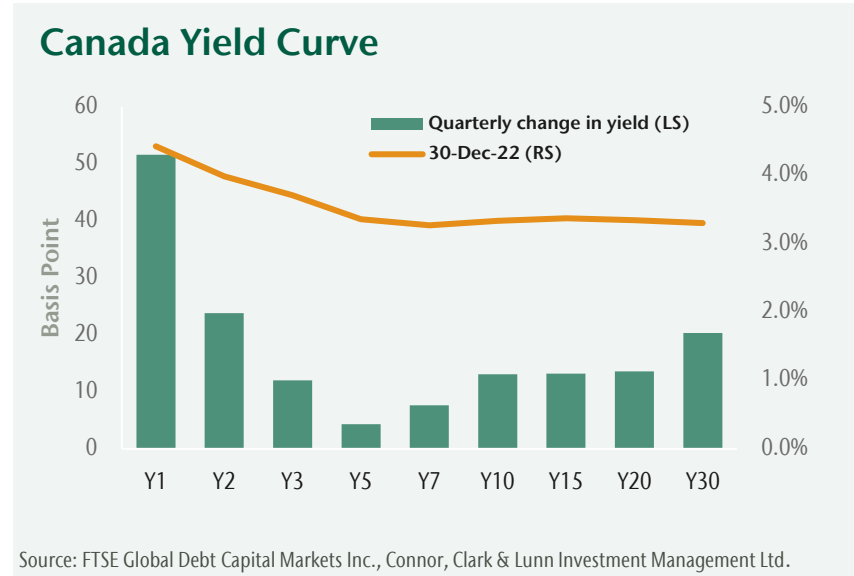
Liquidity is a leading indicator



Source: Refinitiv Datastream & NS calculations  
Shows % change over 6 months in G7 + E7 industrial output and real narrow money

# FIXED INCOME

Market review, performance attribution & positioning



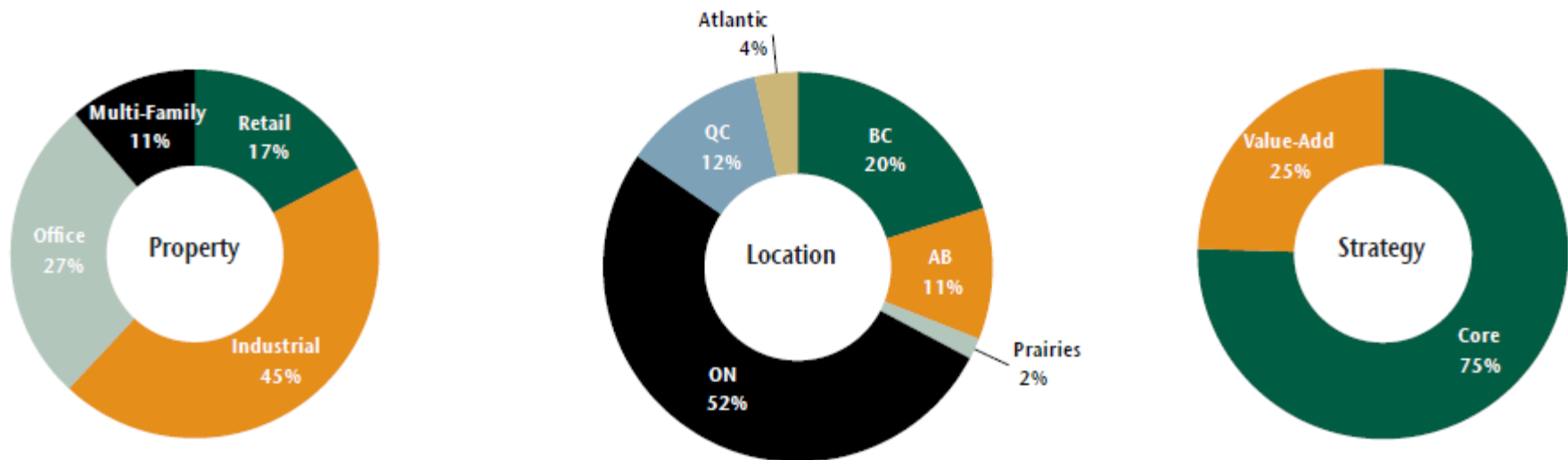
CC&L Long Bond Fund	Q4 2022				Calendar Year 2022			
	Fund	-0.9%	Index	-1.0%	Fund	-21.4%	Index	-21.8%
Interest Rate Decisions	Small positive				Positive (yield curve positioning)			
Credit Decisions	Overall neutral (sector negative, security positive)				Small positive (sector negative, security positive)			
Positioning	Duration neutral, overweight sovereigns, underweight provincials, defensive security selection							

## REAL ESTATE

	Q3 2022				Since Inception **			
	Fund	2.1%	Benchmark	0.9%	Fund	6.2%	Benchmark	4.6%

- Portfolio is diversified with 308 properties\*
- Physical occupancy at the end of September 2022 was 95%
- Three investments under contract, others under review, next capital call expected end of February/early March 2023

### Portfolio Characteristics\*



\* As of September 30, 2022

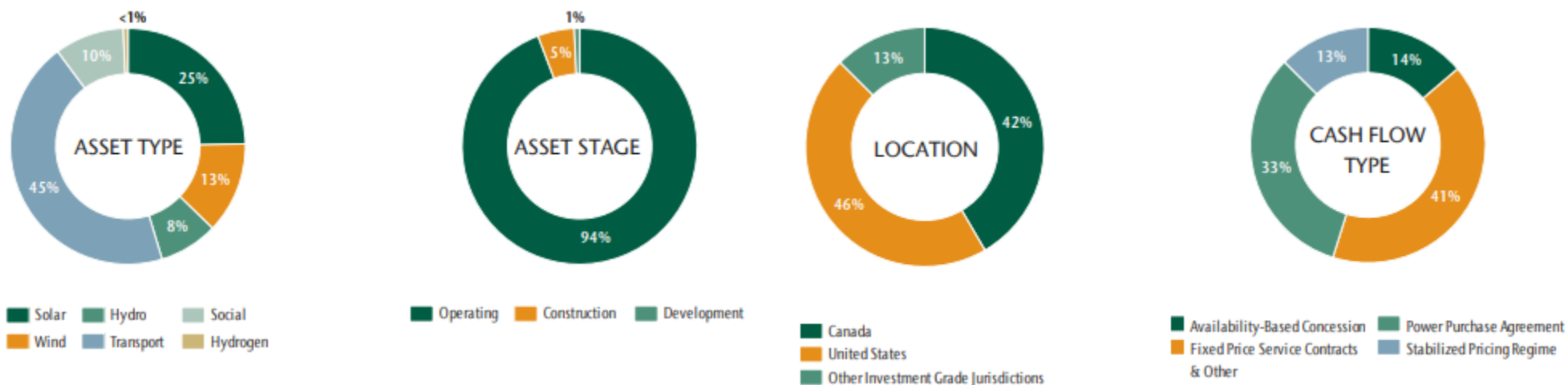
\*\* Inception date: April 7, 2022

# INFRASTRUCTURE

	Q3 2022		Since Inception**					
	Fund	1.4%	Benchmark	1.1%	Fund	2.5%	Benchmark	4.0%

- Fund is diversified with 90 individual infrastructure projects and over 30 investments\*
- Active opportunities to grow existing platforms through accretive follow-on investments
- Capital call funded on January 31, 2023, acquisition of Shultz Transportation and Kawartha Lake Bus Lines

## Portfolio Characteristics\*



Based on percentage of estimated Fund NAV at September 30, 2022. Totals may not add to 100% due to rounding.

\*Stabilized Pricing Regime' refers to the Distributed Solar Portfolios (13% of NAV), which operate under the Pequeños Medios de Generación Distribuida (PMGD) stabilized pricing regime in Chile. Power is sold to the grid at the stabilized price and purchased by a large pool of buyers consisting of local utilities and generators. 'Fixed Price Service Contracts & Other' primarily represents CC&L Infrastructure's rail assets (24% of NAV) and Landmark Student Transportation (16% of NAV). Rail services have a mix of contracted and uncontracted revenues, and are provided to multiple blue chip corporate counterparties on individually negotiated terms and often include take-or-pay type arrangements. The majority of the CC&L Infrastructure's student transport business is contracted. Services are primarily provided to local school districts across Canada and the United States, which are often backed by government counterparties.

\* As of September 30, 2022

\*\* Inception date: May 30, 2022

CC&L Multi-Asset Institutional Portfolios

# RESPONSIBLE INVESTING UPDATE

## Real Estate

### Steeles Technology Campus, Toronto ON



#### ESG Initiatives

- Energy Star Certified
- Fitwell Certified
- BOMA Best Platinum, BOMA 360, BOMA Certificate of Excellence, BOMA Building of the Year, WiredScore Platinum and CREST awards.
- Standards and certification of a property that operates as a top environmental, social and governance performer

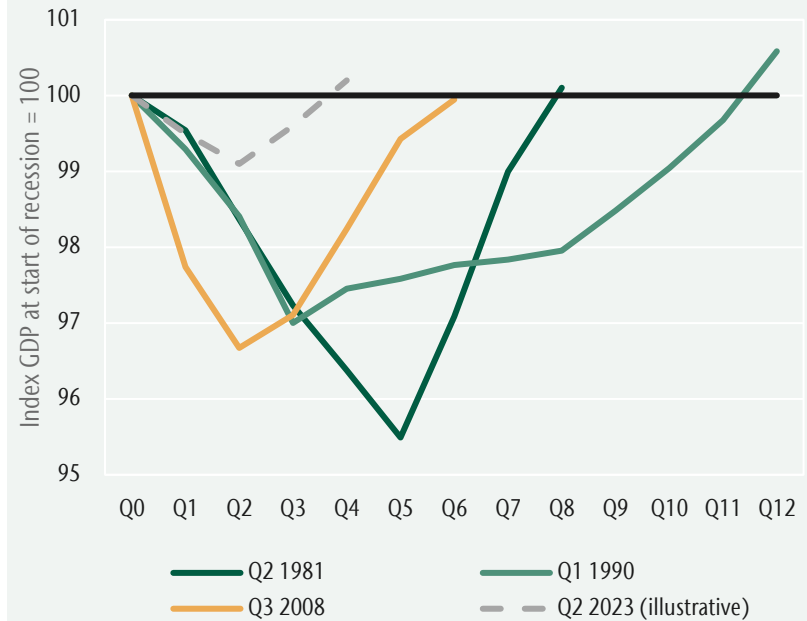
## ECONOMIC PICTURE & OUTLOOK

Leading indicators point to mild recession in 2023

### Recession Checklist

- Step 1: Housing data slows
- Step 2: New orders and manufacturing activity slows
- Step 3: Profitability Declines (Expected in 2023)
- Step 4: Employment Worsens (Lagging Indicator)

### Expecting modest downturn in 2023

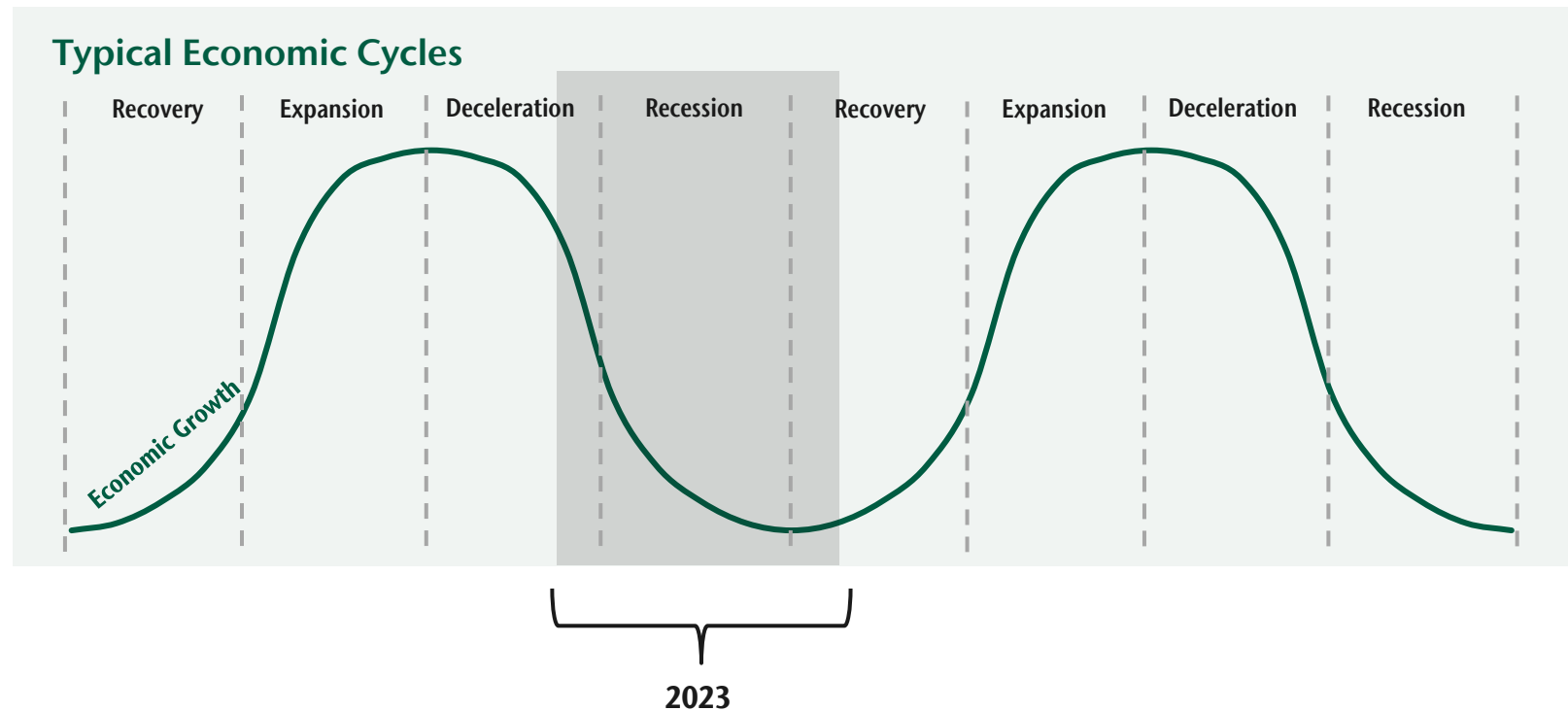


Source: Statistics Canada, CC&L Investment Management



## ECONOMIC PICTURE & OUTLOOK

2023 expected to be a transition year

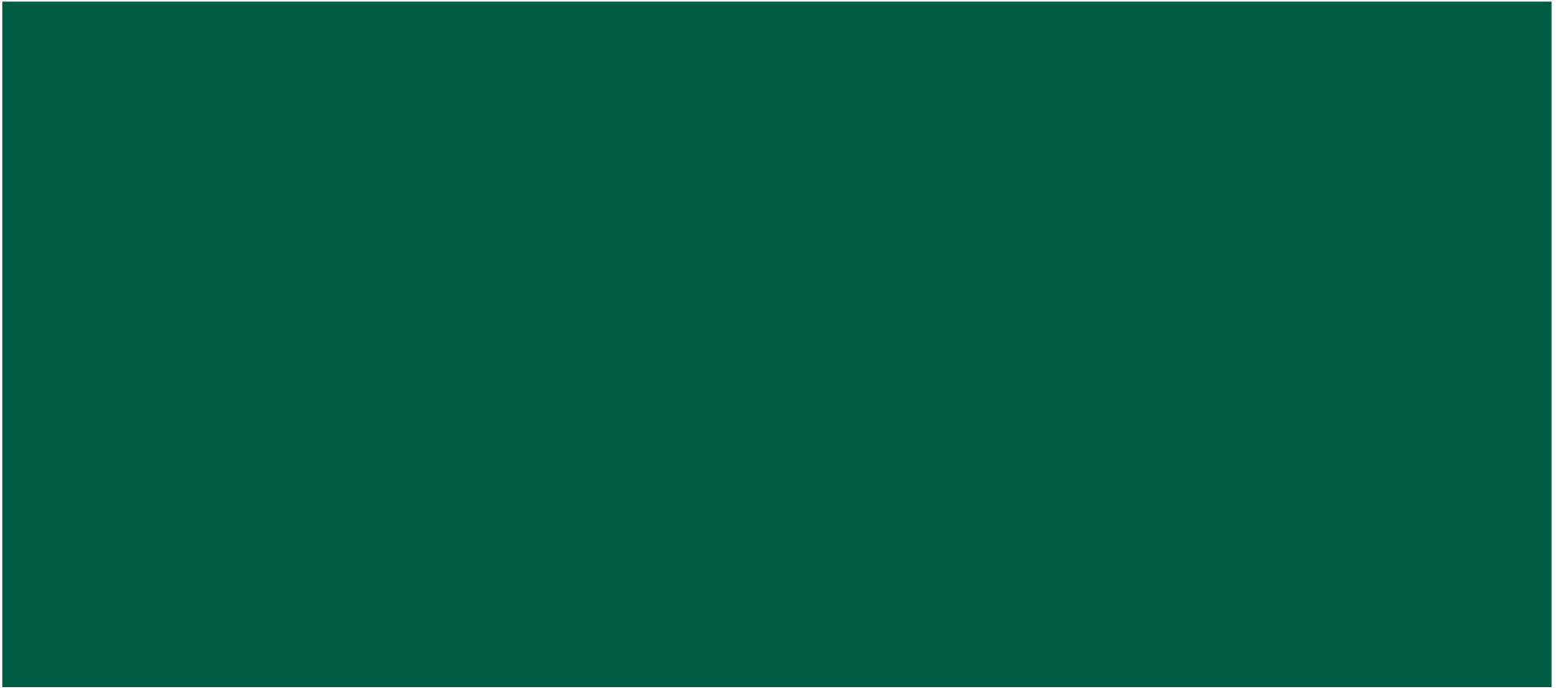


### Recession Winners: Resilient Earners

- » Pricing power
- » Operational efficiency
- » Recession-proof businesses

### Economic Recovery Winners

- » Value over growth
- » Commodities
- » Smaller capitalization companies



## Brandon University Supplementary Pensions

### Brandon University Pension Increases

	Net Investment Return (Market Value)	Four-Year Geometric Average Return	Excess of Average Return over 6%	Dec. CPI	Increase in CPI	Actual COLA	COLA Enhancements for prior years' capped increases	Effective Date of COLA Increase	Calculated Excess above CPI
2012	9.38%	8.45%	2.45%	121.2	0.8%	1.39%	0.59%	01-Jul-2013	1.65%
2013	16.22%	8.45%	2.45%	122.7	1.2%	1.70%	0.50%	01-Jul-2014	1.25%
2014	8.53%	7.93%	1.93%	124.5	1.5%	1.50%	0.00%	01-Jul-2015	0.43%
2015	3.93%	9.43%	3.43%	126.5	1.6%	1.60%	0.00%	01-Jul-2016	1.83%
2016	7.92%	9.06%	3.06%	128.4	1.5%	1.50%	0.00%	01-Jul-2017	1.56%
2017	11.04%	7.82%	1.82%	130.8	1.9%	1.82%	0.00%	01-Jul-2018	0.00%
2018	-2.80%	4.89%	0.00%	133.4	2.0%	0.00%	0.00%	01-Jul-2019	0.00%
2019	17.79%	8.23%	2.23%	136.4	2.2%	2.20%	0.00%	01-Jul-2020	0.03%
2020	13.51%	9.60%	3.60%	137.4	0.7%	0.70%	0.00%	01-Jul-2021	2.90%
2021	12.97%	10.08%	4.08%	144.0	4.8%	4.08%	0.00%	01-Jul-2022	0.00%
2022*	-8.59%	8.40%	2.40%	153.1	6.3%	2.40%	0.00%	01-Jul-2023	0.00%
2023 breakeven	7.69%	6.00%	0.00%					01-Jul-2024	

\* preliminary net investment return for 2022 based on draft financial statement

Pension increases are also applied to pensions in pay and deferred pensions



**ECKLER**

# Brandon University

Presentation to Trustees

February 15, 2023

1. 2022 Highlights
2. 2023 Cost of Living Increase
3. 2023 Funding Projection & Estimated Funded Status
4. Considerations for Preparing & Filing  
December 31, 2022 Valuation
5. University Contribution Flow Chart

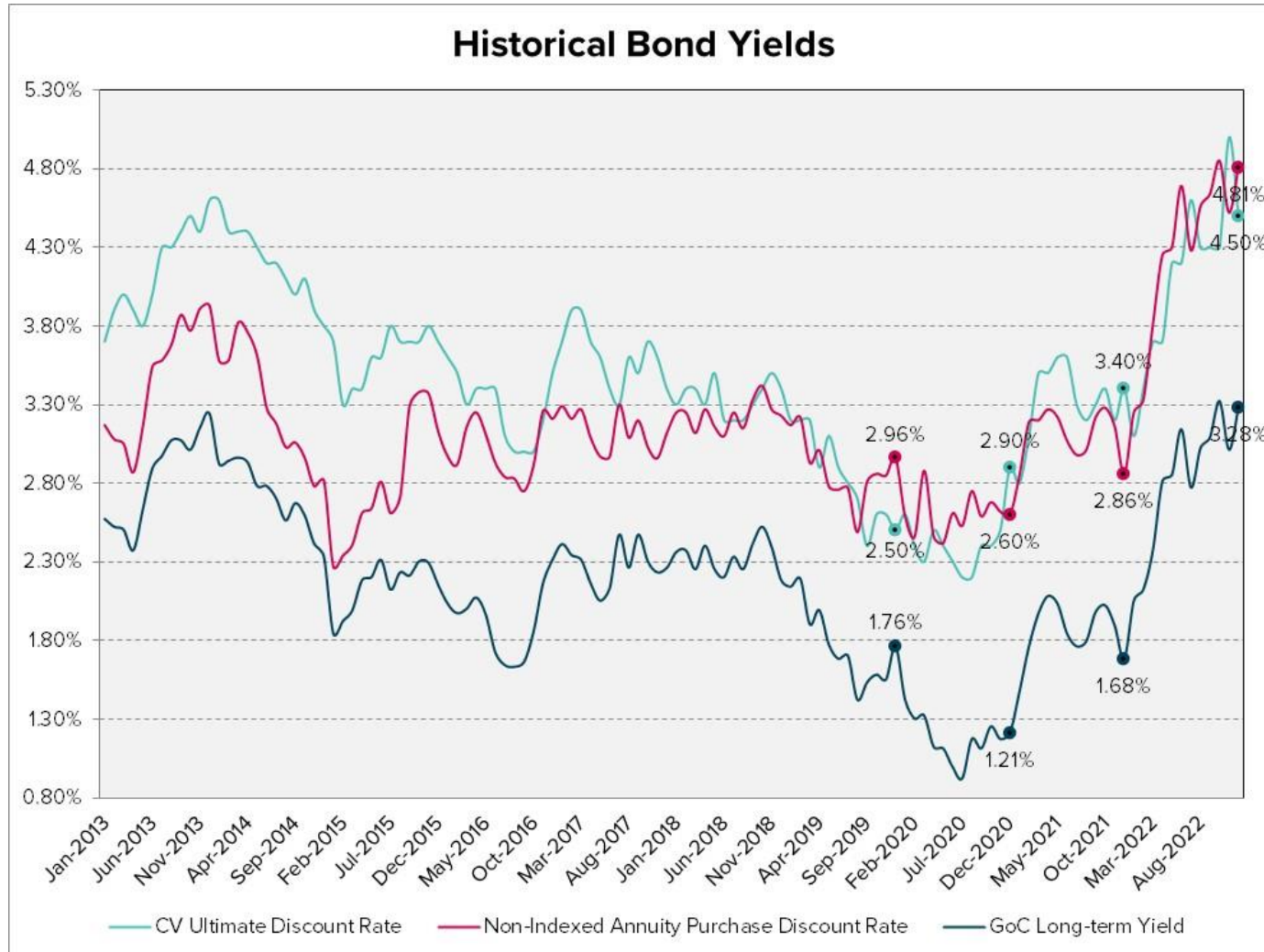
# 2022 Highlights

# What Happened Since Previous Valuation at December 31, 2021

4.2 Extrapolated Funding Position

- Net fund return in 2022:
  - Market value return before expenses: -8.13%
    - Median return for balanced funds in 2022 was -8.81%
  - Market value return net of expenses: -8.59%
  - Actuarial value (smoothed) return: 7.71%
- Change in CPI in Canada of 6.30%
- Bond yields increased throughout 2022
  - Increased during first half of year, dipped, then increased at end of year
  - Yields at December 2022 higher than those at December 2021

# Historical Bond Yields





# What Happened Since Previous Valuation at December 31, 2021

4.2 Extrapolated Funding Position

- Increase in annuity purchase rate (c. 210 bp):
  - Based on preliminary guidance (subject to change)
  - Decreased annuity purchase liability
- Increase in commuted valued rates:
  - Select CV rate (first 10 years) increased 180bp
  - Ultimate CV rate (after 10 years) increased 110bp
  - Decrease in commuted value liability

# 2023 Cost of Living Increase

# 2023 Cost of Living Increase

4.2 Extrapolated Funding Position

Year	Net Investment Return	4-year Geometric Average Return	Excess of Average over 6%	December CPI	Increase in CPI	Actual COLA	COLA Enhancements for Prior Years' Capped Increases	Effective Date of COLA Increase	Calculated Excess Above CPI
2016	7.92%	9.06%	3.06%	128.4	1.5%	1.50%	0.00%	01-Jul-2017	1.56%
2017	11.04%	7.82%	1.82%	130.8	1.9%	1.82%	0.00%	01-Jul-2018	0.00%
2018	-2.80%	4.89%	0.00%	133.4	2.0%	0.00%	0.00%	01-Jul-2019	0.00%
2019	17.79%	8.23%	2.23%	136.4	2.2%	2.20%	0.00%	01-Jul-2020	0.03%
2020	13.51%	9.60%	3.60%	137.4	0.7%	0.70%	0.00%	01-Jul-2021	2.90%
2021	12.97%	10.08%	4.08%	144.0	4.8%	4.08%	0.00%	01-Jul-2022	0.00%
2022*	-8.59%	8.40%	2.40%	153.1	6.3%	2.40%	0.00%	01-Jul-2023	0.00%
<b>2023 breakeven</b>	<b>7.69%</b>	<b>6.00%</b>						<b>01-Jul-2024</b>	

\* Preliminary net investment return based on draft financial statement provided by the University.

# 2023 Funding Projection & Estimated Funded Status

### Going-concern

- Plan maintained indefinitely
- Long term view
- Actuary recommends assumptions with some input from University
- Regulators typically expect some level of margin
- Pension Trustees set margin

Determines Minimum and Maximum University Cash Funding Contributions

### Wind-up

- Assumes plan termination
- Prescribed assumptions
- Required by actuarial standards
- Maximum funding per ITA

### Solvency

- Similar to hypothetical wind-up valuation
- Prescribed by legislation
- Determines valuation filing frequency (85%)

The University Currently has a Solvency Funding Exemption

# Going-concern Valuation Economic Assumptions

## 4.2 Extrapolated Funding Position

	31.12.2021	31.12.2022	Relative Impact on Liability
Investment Return	6.35% p.a. before margin 5.50% p.a. after margin	6.80% p.a. before margin 5.50% - 5.70% p.a. after margin	\$0M – \$4M gain
Increases in CPI	3.5% p.a. for two years, 2.0% p.a. thereafter	3.5% p.a. for one year, 2.0% p.a. thereafter	Nil
Salary increases	4.5% p.a. for 2023, 3.0% p.a. thereafter plus merit and promotion (if applicable)	Unchanged	
YMPE increases	4.5% p.a. for 2022- 2023, 3.0% p.a. thereafter from 2022 level of \$64,900	4.5% p.a. for 2023, 3.0% p.a. thereafter from 2023 level of \$66,600	
Pensioner indexing	1.0% p.a.	No change	Nil
Asset smoothing	Bound by 90%/110% of market value	No change	Nil

# Considerations in Setting the Investment Return Assumption

4.2 Extrapolated Funding Position

- Components of the investment return assumption (5.70%):
  - Asset mix
  - Median gross fund return assumption for each asset class (6.85%)
  - Expenses (-0.30%)
    - administration (-0.20%)
    - passive investment expenses (-0.10%)
  - Margins (-0.85%)

# Considerations in Setting the Investment Return Assumption

4.2 Extrapolated Funding Position

- Margins are used to facilitate the funding policy/objectives. The challenge is to strike a balance between conflicting objectives:
  - Desired level of benefit security
    - Additional margin reduces future deficits/increases future surpluses
  - Stability of funding requirements
    - Ex. Start with bigger margins and adjust each year as return expectations fluctuate
  - Affordability
- ***Maintaining Dec 2021 discount rate easily supported by adding 20bp margin***



# Going-concern Valuation

## Demographic Assumptions

### 4.2 Extrapolated Funding Position

	31.12.2021	31.12.2022	Relative Impact on Liability
Mortality	Discuss - Club Vita Canada's VitaCurves with full generational improvements using scale CPM-B	No Change	Nil
Termination	30 – 16.8% 35 – 9.6% 40 – 6.6% 45 – 5.1% 50 – 3.6% 55 – 0% Commutation assumption included	No Change	Nil
Retirement	55-56 – 3.0% 557-58 – 4.0% 59-64 – 10% 65 – 30% 66-69 – 15% 70+ – 100%	No Change	Nil

# Going-concern – Estimated Dec. 31, 2022 Valuation Results

4.2 Extrapolated Funding Position

(\$'000s)	5.50% (1.05% Margin) Dec. 31, 2022	5.55% (1.00% Margin) Dec. 31, 2022	5.70% (0.85% Margin) Dec. 31, 2022	5.50% (0.85% Margin) Dec. 31, 2021
Going concern surplus / (unfunded liability)	\$26,082	\$27,224	\$30,651	\$21,901
	<b>2023</b>	<b>2023</b>	<b>2023</b>	<b>2022</b>
Estimated University current service cost	\$3,511	\$3,460	\$3,308	\$3,337
Estimated minimum special payment for the unfunded liability	\$0	\$0	\$0	\$0
Estimated University additional contribution	\$0	\$0	\$96	\$0
Total Est. University Contribution before applying surplus	\$3,511	\$3,460	\$3,404	\$3,337
Use of Available Actuarial Surplus	(\$84)	(\$39)	\$0	\$0
Net University Contribution	\$3,427	\$3,421	\$3,404	\$3,337

*Due to large increase in interest rates, there is potentially greater risk of estimation error on solvency and wind-up than for other years, and the use of surplus is based on there being \$1M of wind-up surplus.*

# Valuation Assumptions

## Solvency Valuation

### 4.2 Extrapolated Funding Position

	12.31.2021	12.31.2022
Commuted Value – 1 <sup>st</sup> 10 years	2.30%	4.10%
Commuted Value – ultimate	3.40%	4.50%
Annuity Proxy	2.81%*	4.91%*
Mortality Table	CPM2014	CPM2014

*\* Annuity proxy rate of 4.91% is an estimate and is subject to change before the valuation is completed*

# Solvency – Estimated Valuation Results

4.2 Extrapolated Funding Position

(\$'000s)	Dec. 31, 2022	Dec. 31, 2021
Solvency assets	236,023	224,646
Solvency liabilities	<u>223,645</u>	<u>251,406</u>
Solvency excess / (deficiency)	12,378	\$26,760
<b>Solvency ratio</b>	<b>1.0553</b>	<b>0.894</b>

- If solvency ratio greater than 0.85, valuations permitted once every three years.
  - currently, next val required at December 31, 2024
- If December 31, 2022 valuation filed, next valuation would be required at December 31, 2025
- Benefits improvements permitted if solvency ratio > 0.90

# Hypothetical Wind-up – Estimated Valuation Results

4.2 Extrapolated Funding Position

(\$'000s)	Dec. 31, 2022	Dec. 31, 2021
Wind-up assets	222,976	249,642
Wind-up liabilities	<u>223,645</u>	<u>251,406</u>
Wind-up excess / (deficiency)	(\$989)	(\$1,764)
<b>Wind-up funded ratio</b>	<b>0.996</b>	<b>0.993</b>

- Wind-up shortfall enables additional University contributions, i.e. if:
  1. plan formula contribution is greater than current service cost, and
  2. GC position in surplus

University contributions greater than the current service cost are only permitted to the extent the wind-up position is in deficit

# Considerations for December 31, 2022 Valuation

# Considerations in Filing a December 31, 2022 Valuation

4.2 Extrapolated Funding Position

- Up-to-date valuation for collective bargaining
- Slight decrease in University funding requirement possible
- Solvency ratio  $> 0.90$  -> benefit improvements are now permitted
- Next filing Dec 31, 2025 – funding requirements stable for next 3 years

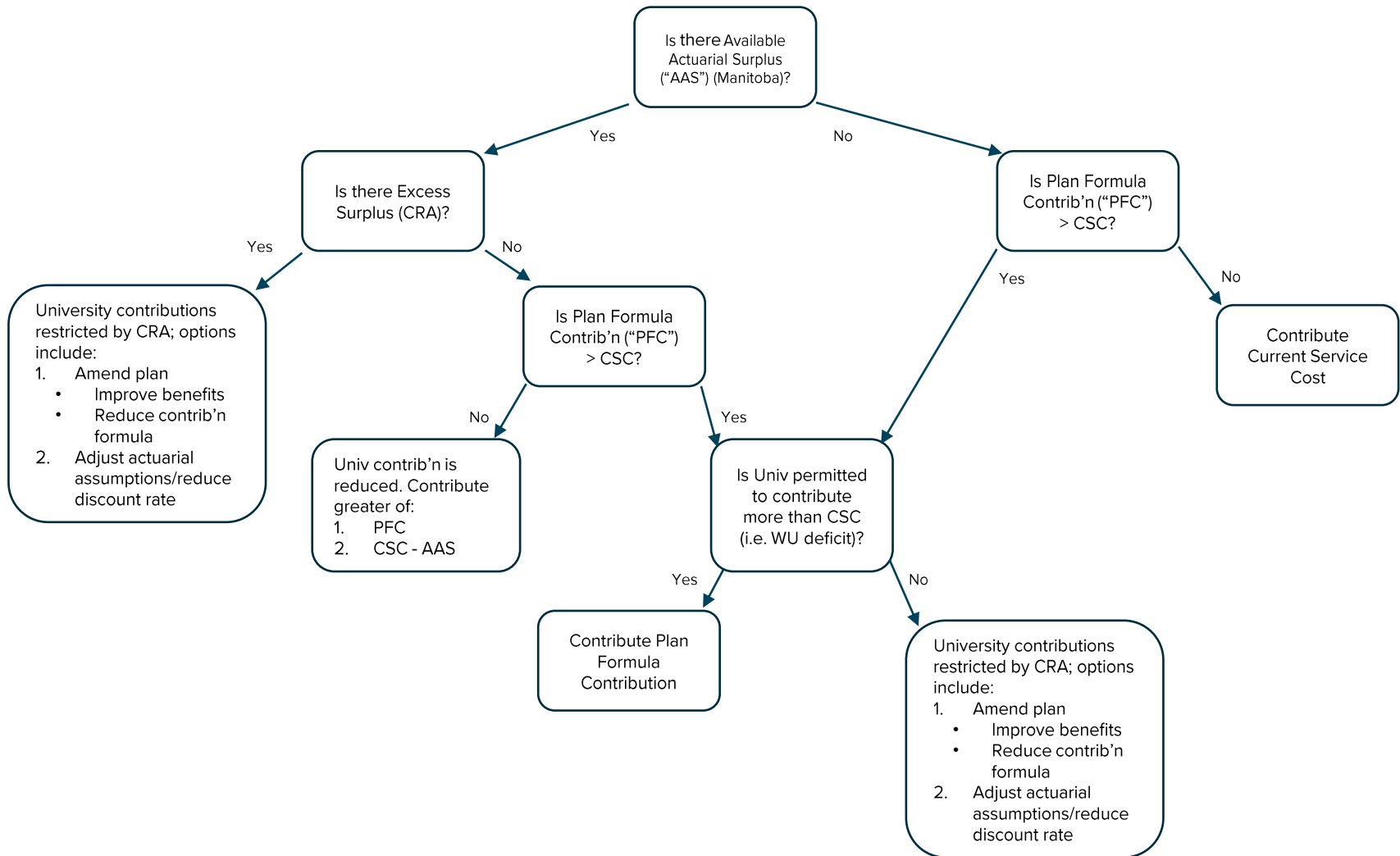
# University Contribution Flow Chart



# University Contribution Requirement Flow chart

Assumes going-concern valuation is in surplus

4.2 Extrapolated Funding Position

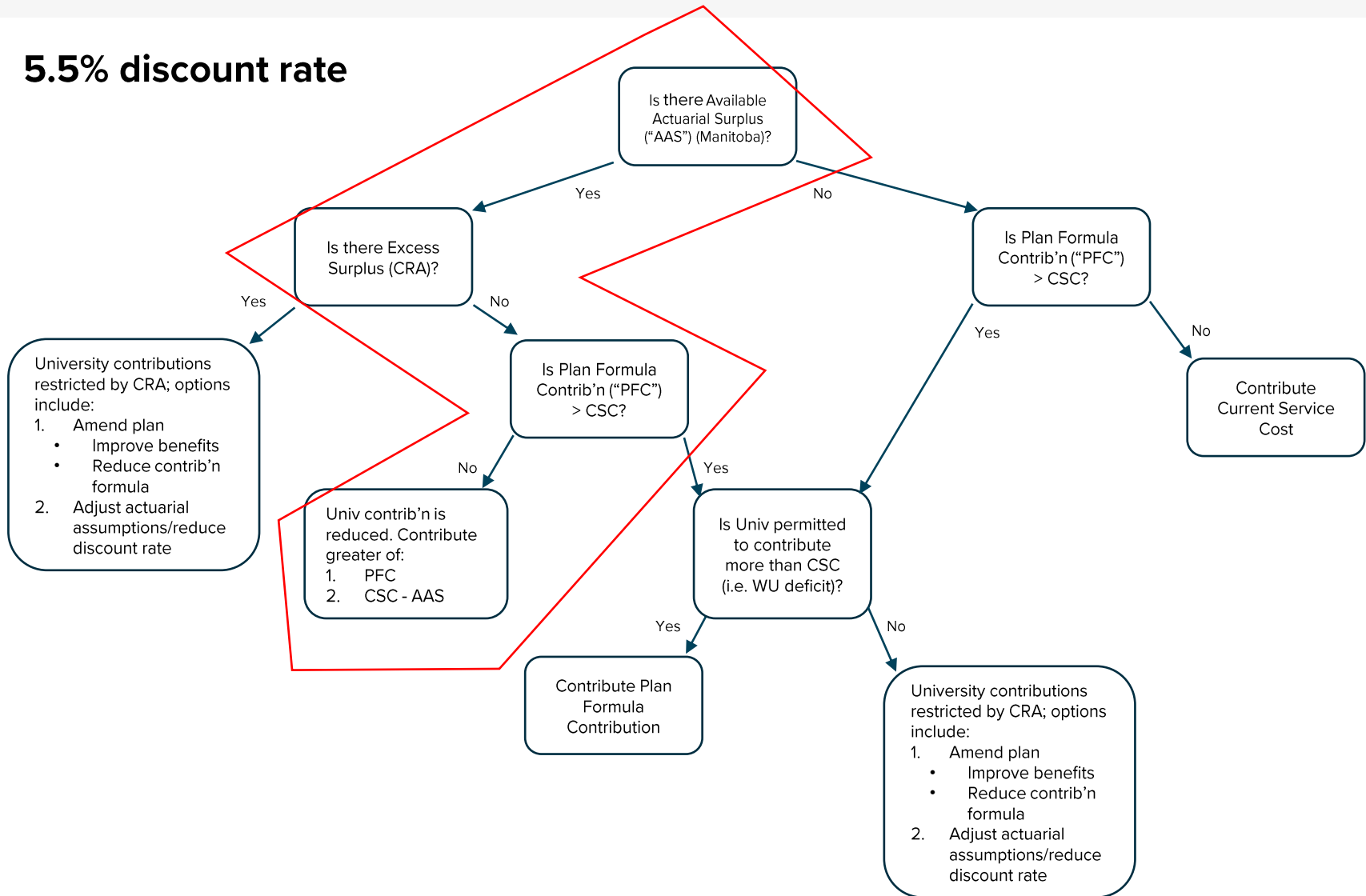


# University Contribution Requirement Flow chart

Assumes going-concern valuation is in surplus

4.2 Extrapolated Funding Position

5.5% discount rate



# University Contribution Requirement Flow chart

Assumes going-concern valuation is in surplus

4.2 Extrapolated Funding Position

5.7% discount rate

