HEALTH WEALTH CAREER

UNIVERSITY OF WINDSOR EMPLOYEES' RETIREMENT PLAN

OPEN MEETING

23 AUGUST 2018

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Toronto

NOTE TO READER

- This presentation was prepared for the members of University of Windsor Employees' Retirement Plan meeting on August 23, 2018 and should not be relied upon for any other purpose
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- All parts of this presentation, including any documents incorporated by reference, are integral to understanding and explaining its contents; no part may be taken out of context, used, or relied upon without reference to the presentation as a whole
- A complete description of underlying assumptions, data and methodology is available in the July 1, 2017 and December 31, 2017 actuarial valuation reports

TODAY'S PRESENTATION

- This presentation contains:
  - Timeline of events
  - Review of current Plan contribution rates
  - Background on actuarial valuations and how they impact contributions
  - Impact of July 1, 2017 actuarial valuation
  - Impact of New Ontario Funding Rules
  - Looking ahead

EMPLOYEES' PLAN OVERVIEW
TIMELINE OF EVENTS

July 1, 2010 | July 1, 2014 | July 1, 2017 | April 20, 2018 | June 30, 2018 | Dec.31, 2020

July 1, 2010
- Contributions increased due to change in regulations and financial position of plan

July 1, 2014
- Actuarial valuation supports no change in contributions
- Plan approved for Stage 1 Funding Relief

July 1, 2017
- Actuarial valuation reveals deficit
- Plan approved for Stage 2 Funding Relief
- Requires increase in contributions

April 20, 2018
- Ontario issues new Funding Rules

June 30, 2018
- December 31, 2017 actuarial valuation filed with regulator
- Incorporates New Funding Rules
- Supports decrease in contributions

December 31, 2020
- Latest date of next actuarial valuation and contribution review

EMPLOYEES' PLAN OVERVIEW
COST SHARING

- The Employees' Plan is cost shared (i.e. the required contributions are shared equally between the University and the Plan members)
- Contribution requirements are based on most recently filed actuarial valuation and are established for the duration of the actuarial valuation (typically 3 years)
- Contribution rates are as follows for both Members and the University

	Old Contribution Rate as a % of Pensionable Earnings Effective July 1, 2010
Earnings up to the Year's Basic Exemption (YBE) of $3,500	9.2%
Earnings above YBE and up to the Year's Maximum Pensionable Earnings (YMPE) of $55,900	6.4%
Earnings above YMPE of $55,900	9.2%
Aggregate Rate (approx.)	**7.0%**

BACKGROUND – ACTUARIAL VALUATIONS

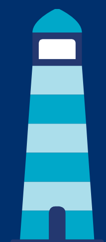
A pension plan is required to perform an actuarial valuation at least once every three years

- The purpose of the actuarial valuation is to:

1. Determine the financial position of the plan
   - Plan assets are compared to the plan liabilities
   - Plan liabilities are based on a set of actuarial assumptions which are subject to pension regulations and actuarial standards
   - A plan is said to have a surplus if the plan assets are greater than the plan liabilities. A plan in surplus has a funded ratio above 100%
   - A plan is said to have a deficit if the plan assets are less than the plan liabilities. A plan in deficit has a funded ratio below 100%

2. Determine the minimum required contributions to the plan
   - Based on financial position of the plan, plan terms and pension regulations
   - Equal to the cost of benefits being earned in the following year plus any special contributions in respect of deficits

THE ACTUARIAL VALUATION MEASURES
HOW THE PLAN IS MEETING ITS OBJECTIVES



GOING CONCERN
"Long-term view"
of the plan

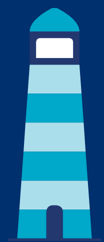
- Concerned with long-term sustainability
- Determines level of current service cost contributions
- Includes a "margin" for conservatism
- Deficits, if any, amortized over a prescribed period

SOLVENCY
"Hypothetical Wind-Up"

- Focus on security of accrued benefits
- Assumptions are prescribed
- Deficits, if any, amortized over a prescribed period

Pension regulations require that plans review both Going Concern and Solvency

ACTUARIAL VALUATION - JULY 1, 2017



GOING CONCERN
"Long-term view" of the plan

- Assets exceed liabilities – 111% funded ratio
- Cost of future pension benefits has risen due to current economic conditions
- Pension regulation requires that the going concern surplus remains in the plan

SOLVENCY
"Hypothetical Wind-up"

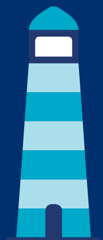
- Solvency ratio of 91%
- Requires additional contributions in respect of deficit
- Prior to special Funding Relief, contributions would have <u>increased by 4.4%</u>
- Instead, majority of this increase is postponed till 2021 under Stage 2 funding relief
- Contribution increase phased in starting June 4, 2018

ACTUARIAL VALUATION - JULY 1, 2017
CONTRIBUTION INCREASE

	Old Contribution Rates	New Contribution Rates – As per July 1, 2017 Valuation		
		Phase 1 June 4, 2018 to July 1, 2018	Phase 2 July 2, 2018 to Sept 9, 2018	Phase 3 Sept 10, 2018 to June 30, 2020
Earnings up to the Year's Basic Exemption (YBE) of $3,500	9.2%	11.0%	11.8%	10.4%
Earnings above YBE and up to the Year's Maximum Pensionable Earnings (YMPE) of $55,900	6.4%	7.7%	8.2%	7.2%
Earnings above YMPE of $55,900	9.2%	11.0%	11.8%	10.4%
Aggregate Rate (approx.)	**7.0%**	**8.4%**	**9.0%**	**7.9%**

- Contributions are phased in to meet the requirements of pension regulations
- The above rates reflect the fact that the Plan was approved for special funding relief

NEW ONTARIO FUNDING RULES – APRIL 20, 2018
BALANCING SECURITY WITH SUSTAINABILITY



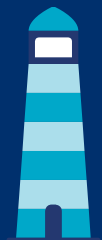
GOING CONCERN

- Requires prescribed level of “margin” of conservatism
- Minimal impact since Plan already contained similar “margins”
- Deficits amortized over 10 years (previously 15 years)

SOLVENCY

- Test for special contributions lowered from 100% to 85%
- Plan is currently above 85%
- Regulations require a new actuarial valuation effective December 31, 2017 to permit a decrease in contributions
- Stage 2 special Funding Relief is eliminated

ACTUARIAL VALUATION - DECEMBER 31, 2017



GOING CONCERN

- Assets exceed liabilities – 110% funded ratio
- No additional contributions required under New Funding Rules
- Economic conditions improved since July 1, 2017
- Pension regulations require that the going concern surplus remains in the plan

SOLVENCY

- Solvency ratio of 97%
- Special solvency contributions no longer required since plan is above 85%
- Contribution schedule can be significantly decreased by filing December 31, 2017 actuarial valuation

NEW ONTARIO FUNDING RULES AND DECEMBER 31, 2017 ACTUARIAL VALUATION

	Old Contribution Rate	New Contribution Rates – As per December 31, 2017 Valuation	
		Phase 1 June 4, 2018 to Sept 9, 2018	Phase 2 Sept 10, 2018 to Dec 31, 2020
Earnings up to the Year's Basic Exemption (YBE) of $3,500	9.2%	11.0%	9.3%
Earnings above YBE and up to the Year's Maximum Pensionable Earnings (YMPE) of $55,900	6.4%	7.7%	6.5%
Earnings above YMPE of $55,900	9.2%	11.0%	9.3%
Aggregate Rate (approx.)	**7.0%**	**8.4%**	**7.1%**

– Contributions are phased in to meet the requirements of pension regulations
– However, contributions are significantly lower than under the July 1, 2017 actuarial valuation

LOOKING AHEAD

- Contribution rates remain in effect until the next actuarial valuation
  - Required no later than December 31, 2020
- At that time, contribution rates will be reviewed and impact will be based on several factors in effect at that time including:
  - Economic conditions
  - Plan demographics
  - Pension regulations
- Mercer will continue to monitor the economic conditions as they relate to the Plan

QUESTIONS ?