



Human Resources

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DATE: July 2022

TO: Brock University Pensioners

FROM: Human Resources

RE: **Brock University Pension Plan Update**

The volatility in global financial markets since January 2022 has had serious implications for all investors. Pension plans, including our Brock Pension Plan, have been affected by the volatility.

Because the rate of return earned on the pension plan assets affects your pension benefit, both the University and the Pension Committee are very concerned about the current situation and the potential implications for the plan members, both in the short term and in the long term. As such, we feel that it is important to convey as much information to you as possible so that you understand what has happened in the financial markets, how this has affected the Brock Pension Plan, and what the potential implications will be for your pension benefit. We will also provide a review of how the Brock Pension Plan operates and how the Minimum Guaranteed Pension is funded.

We have formatted this document in a series of questions. Some have been asked by plan members, others we felt should be included in an effort to provide the best possible information for members in these times.

Pensioners can contact pension staff at pension@brocku.ca or 905-688-5550 extension 3186 or extension 6616.

1. How have the markets been affected thus far in the 2021/22 Plan year?

Rates of return (from the standpoint of a Canadian investor) are summarized below.

Time Period:	MSCI World (net)	FTSE Canada Universe Bond
Jun 1/21 - Dec 31/21	10.1%	1.0%
Jan 1/22 - Mar 31/22	-6.4%	-7.0%
April/21	-6.2%	-3.5%
May/21	-1.0%	-0.1%

2. What are the investment results thus far for the Brock University Pension Plan in the 2021/22 Plan year?

The rates or return to date are:

Month	Rate of Return
July 2021	2.7386%
August 2021	2.2533%
September 2021	-2.2616%
October 2021	1.6607%
November 2021	0.4891%
December 2021	2.8072%
January 2022	-5.0491%
February 2022	-2.1254%
March 2022	0.8582%
April 2022	-3.9440%
May 2022	-1.0128%
June 2022	unknown
Cumulative Rate of Return	
July 1 to May 31, 2022:	-3.8929%

Monthly rates of return are posted on the University's pension web site throughout the Plan year: <https://brocku.ca/human-resources/pension/#investments-governance-and-funding-status>. June's rate of return will be posted on the website once known.

3. How might the current market conditions affect my Brock pension?

Your monthly Brock pension will remain at its current level until the next pension adjustment, which will occur effective July 1, 2022. It is too soon to say what the adjustment might be as there is still 1 month of unknown rates of return remaining prior to the end of the Plan year; however, given the market performance to date, unless the markets have a significant return over the next month, your Money Purchase Pension benefit will decrease next year.

At this point it might be helpful to review how Brock pensions are adjusted.

The Brock University Pension Plan is a hybrid pension plan, composed of both a Defined Contribution component (Money Purchase Pension) and a Defined Benefit component (Minimum Guaranteed Pension). At pension commencement, the Money Purchase Pension and Minimum Guaranteed Pension are calculated and the pensioner receives the greater of the two pension amounts. Both pension amounts are adjusted effective July 1st of every year and pensioners will receive the greater of the two

amounts for the next 12 months. The letter that pensioners receive in September of every year provides the new Money Purchase Pension amount and the new Minimum Guaranteed Pension amount for that pension year.

Annual adjustment

The pensioner's Money Purchase Pension is adjusted based on two factors 1) the actual rate of return of the Plan compared to the current six per cent assumed rate of return and 2) actual pensioner mortality compared to the mortality assumption used when calculating the starting Money Purchase Pension amount. In addition, the actuary monitors mortality experience of pensioners and provides advice on changes to the mortality tables used when calculating starting pension amounts. If a stronger mortality table must be enacted, pensions will be adjusted to account for the move to the new mortality table. The Money Purchase Pension can increase or decrease in a given year as a result of these adjustments.

Below is a chart showing fund rates of return and Money Purchase Pension adjustments for the previous 10 years:

Pension Plan year ending	Fund rate of return (%)	Adjustment for rate of return (%)	Adjustment for mortality (%)	Adjustment for change in mortality table (%)	Total Pensioner adjustment (%)
June 30, 2012	1.9658	-4.0342	0.4241		-3.6101
June 30, 2013	10.2725	4.2725	0.3659		4.6384
June 30, 2014	15.8129	9.8129	-1.0564		8.7565
June 30, 2015	9.5487	3.5487	-0.5040		3.0447
June 30, 2016	3.1421	-2.8579	0.5425	-1.5491	-3.8645
June 30, 2017	9.6688	3.6688	-0.0233	-3.4858	0.1597
June 30, 2018	8.3453	2.3453	-0.5230		1.8223
June 30, 2019	8.3413	2.3413	0.2851		2.6264
June 30, 2020	7.4521	1.4521	-0.2188		1.2333
June 30, 2021	12.4968	6.4968	-0.2024		6.2944

The Minimum Guaranteed pension is adjusted annually, starting with the July 1st pension payment following pension commencement by the Consumer Price Index to a maximum of 2.0%, cumulative from retirement date.

Below is a chart showing Consumer Price Index values for the previous 10 years:

Pension Plan year ending	Consumer Price Index (%)
June 30, 2012	2.40
June 30, 2013	0.94
June 30, 2014	1.43
June 30, 2015	1.50
June 30, 2016	1.40
June 30, 2017	1.46
June 30, 2018	1.88
June 30, 2019	1.42
June 30, 2020	1.46
June 30, 2021	1.46

4. **Given the current situation, what is the likely outcome for pensioners in July 2022?**

Given the known fund rate of return thus far and continuing market volatility in the month of June, there will be a reduction in the Money Purchase Pensions.

5. **When will I have an idea of what the July 1, 2022 adjustment will be so that I can budget accordingly?**

The July 1, 2022 pensioner adjustments cannot be calculated until all monthly rates of return for the plan year ending June 30, 2022 are known. Pensioners will receive their normal pensioner adjustment letter in September informing them of their new adjusted Money Purchase Pension and Minimum Guarantee pension amounts for the 2022/23 pension Plan year.

6. **What is the investment structure of the fund and who are the fund managers?**

The fund is well diversified and invested according to the Plan's Statement of Investment Policies and Procedures by professional fund managers. Through the market turmoil, the managers are committed to "staying the course" with their investment strategies and processes. The portfolios are positioned for the long-term and pulling out of investments would mean realizing losses.

Asset Class	Percentage	Fund Manager
Fixed Income	30	(70%) Philip Hager & North (PH&N) (30%) Aviva Investors
Global Equity	50	(40%) Mawer Investment Management (40%) Walter Scott & Partners (20%) C WorldWide Asset Management
Real Estate	10	(50%) Prudential (PGIM) Real Estate (50%) Morgan Stanley
Infrastructure	10	(50%) IFM Investors (50%) Axiom Infrastructure (in queue for funding)

7. Who monitors the performance of the fund?

The Pension Committee, as part of its mandate, has responsibility to monitor fund performance. Pension Committee members are being very diligent on behalf of pension plan members in their governance responsibilities regarding the Pension Plan in these very difficult and challenging market conditions. The Pension Committee is continuing to monitor the performance of the Plan against benchmarks. They will examine reasons why managers do not meet benchmarks and take steps to understand how the fund managers are positioning themselves for the future. This includes reviewing and analyzing fund reports and meeting with fund managers as necessary. The Plan's investment consultant prepares a very detailed performance analysis bi-annually and a performance brief for quarters in-between the bi-annual reports. The Financial Planning and Investment Committee, a sub-committee of the University's Board of Trustees, is also kept apprised of the fund's performance, briefed on the impact of market conditions and receive reports as necessary. A performance report is also presented to Plan members at the annual pension meeting each year.

8. Who do I contact for information regarding my pension?

Pensioners can contact pension staff at pension@brocku.ca or 905-688-5550 x3186 or x6616.