







This report contains information on the investment returns, the actuarial valuation, the audited financial statement at December 31, 2017, and a section explaining the current situation of the plan.



Members of the plan are continuing employees from APSA, CUPE, Poly Party and the group of exempt staff. An overview of the Plan membership for the last three years is outlined below:

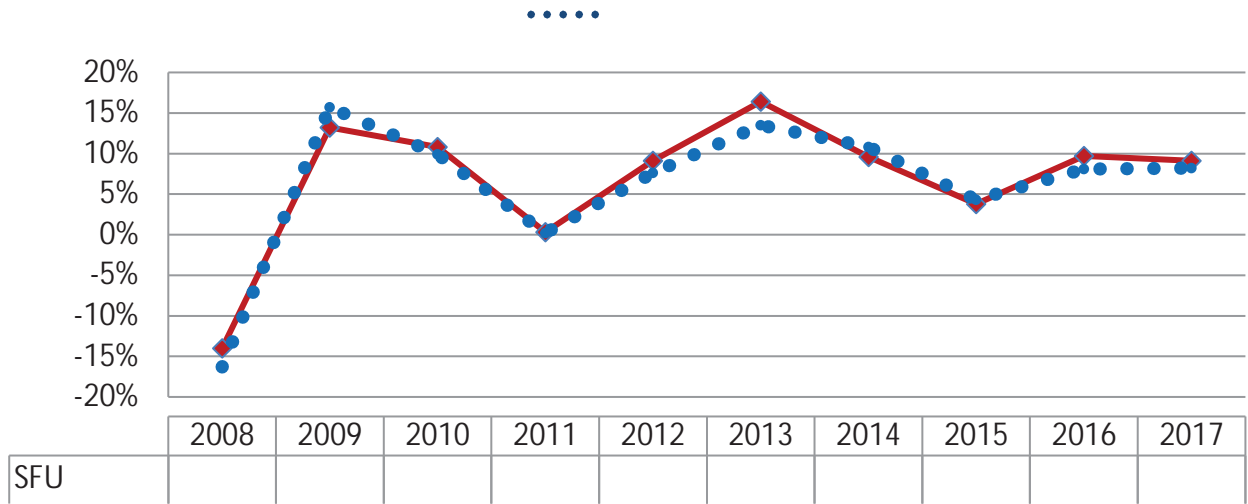
Active Members	1,770	1,714	1,711
Members on long term disability	34	34	28
Deferred Pensioners	489	467	444
Solvency holdback Members	240	312	333
Pensioners and Beneficiaries	528	490	474

The Trustees use best practices as well as a system of checks and balances in the administration and management of the pension fund in order to ensure the integrity and security of the pension plan while concurrently balancing optimization of returns and minimization of risk.

The Funds are invested prudently by using an asset mix of bonds, domestic and foreign equity, and real estate. The Funds are managed by professional investment managers that are selected with assistance of an investment consultant. The investment consultant for the plan is Mercer, who was hired in 2013.

At December 31 our investment managers were Beutel Goodman Company Ltd., Jarislowsky Fraser Ltd., Sprucegrove Investment Management Ltd., Grantham, Mayo, Van Otterloo & Co. LLC (GMO), Greiner-Pacaud Management Associates, Phillips Hager & North Investment Management Ltd and Alliance Bernstein L.P.. The Trustees met with each investment manager at least once during 2017. Quarterly performance reports are prepared by Mercer.

The Custodian of the Fund is CIBC Mellon. The Custodian is responsible for the safekeeping of the assets of the Plan and payout to the members upon death, termination or retirement.





Over a 10-year period the Fund averaged a return of 6.5% compared to the benchmark of 5.9%. The annualized rate of return on an investment is the return over a period of time other than one year, adjusted to give a comparable one-year return.

Returns	1 year	2 years	3 years	4 years	10 years
SFU	9.1%	9.4%	7.5%	8.0%	6.5%
Benchmark	<u>8.2%</u>	<u>8.1%</u>	<u>6.9%</u>	<u>7.8%</u>	5.9%
Added value	0.9%	1.3%	0.6%	0.2%	0.6%

By law, an actuarial valuation of the Plan must be done at least every three years. An actuarial valuation assesses the value of the assets compared to the liabilities of the Fund, determines whether the Fund is in a surplus or deficit, and calculates the rate of contribution necessary to fund future pension obligations. The results of the last valuation done as of December 31, 2016 are discussed below.

The December 31, 2016 valuation determined a new rate of contribution by SFU of 15.83% of basic salaries, representing the current service cost of active and disabled payroll – this contribution is paid entirely by the University. The next valuation of the Plan will be done as of December 31, 2019, and will be completed in 2020 by our Plan actuary, Eckler Ltd.

The law requires that the valuation be done using two methods: the going concern valuation and the solvency valuation.

The going concern valuation takes a long-term funding view of the Plan and as of December 31, 2016 the Plan showed a going concern surplus of \$12,873,000. In comparison, the December 31, 2013 valuation showed a going concern deficiency of \$30,430,000.

The main reasons for this increase in the funding position as at December 31, 2016 is the good performance of the assets for the three-year period ending December 31, 2016 as well as the actual salary increases for the three-year period ending December 31, 2016 being lower than the previous valuation assumption of 3.25%.



he solvency valuation, assumes that the Plan would have been terminated on December 31, 2016



The Trustees are bound by the Plan text which is agreed to between the University and APSA, CUPE and Poly Party. This pension plan was designed in the late eighties when rates of return were in the 10% to 15% range and universities were better funded. By comparison, as seen in Section 4.2, the annualized benchmark return for the last ten years was 5.9% while our return was 6.5%. Our current environment of longer life expectancy, low interest rates and volatile equity markets has put a significant strain on the Plan.

When a deficit was first identified as of December 31, 2007, the actuary made some recommendations to amend the Plan text to address the deficit issues. The recommendations were endorsed by the Trustees in July 2008 and were presented to the University and the representatives of the Employee Organizations in October 2008. Following the 2010 valuation, the Chair of the Admin/Union Plan met again in June 2011 with the University Administration and the Employees' Joint Pension Committee (EJPC) to highlight the results of the 2010 Valuation and stressed urgent action on 1) the need for dialogue between the University and the employee groups and 2) the need for education of university employees on pension issues. It is understood that information sessions for the employees took place in 2011 and the University and the EJPC met in 2012. Following the results of the 2013 valuation the Chair of the Admin/Union Plan met with the VP Finance and Administration and the Chair of the EJPC to explain the results of the 2013 valuation and stress once again the urgency of holding discussions regarding the terms of the pension plan to ensure its long term sustainability.

The University and the EJPC resumed discussions in 2016 which are continuing





	\$339,221,673	\$309,890,410	\$293,618,693
Contributions			
- University – current service cost	17,785,277	15,713,170	15,217,091
- University – going concern deficit	0	2,810,324	2,741,539
- University – holdback	4,049,933	3,307,630	3,203,129
- Member Voluntary	38,106	41,314	37,469
Investment Gains (Losses)			
- Interest & Dividends	12,838,353	10,355,728	10,239,168
- Capital Gains (Loss) – Realized	46,622,268	(21,613,495)	23,071,641
– Unrealized	<u>(28,766,624)</u>	<u>41,245,123</u>	<u>(21,685,464)</u>
Benefits			
- Commuted amounts paid out	14,218,991	13,974,161	8,554,472
- Pensions paid	7,679,829	7,032,501	6,628,650
- Voluntary contributions refunded	105,785	76,491	52,196
- Members’ money purchase account – paid out	531,718	366,374	356,041
Fees and Expenses			
- Investment	901,741	743,218	692,402
- Custodian	94,168	69,052	64,194
- Administrative (SFU)	73,559	72,561	71,789
- Audit, Actuarial, Legal & Other	<u>278,206</u>	<u>194,173</u>	<u>133,110</u>
	<u>\$367,905,349</u>	<u>\$339,221,673</u>	<u>\$309,890,410</u>