

DALHOUSIE RETIREES' TRUST FUND ANNUAL REPORT to RETIREES for the year ended June 30, 2021

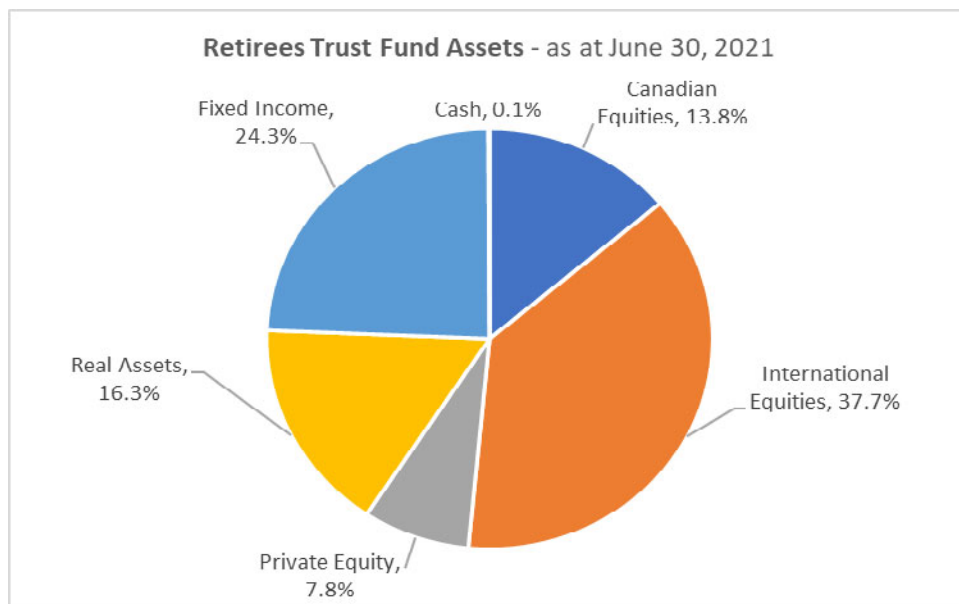
Introduction:

Monthly pension payments to the retired members of the Dalhousie University Staff Pension Plan are funded by assets held by the Dalhousie Retirees' Trust Fund (RTF). The RTF is one of two funds that support the benefits of the Plan, the other being the Pension Trust Fund which holds assets to fund the pension benefits earned and accumulated by members during their working careers. The RTF held \$829.8 million in net assets as at June 30, 2021 that will fund the future pension benefits of current retirees. The RTF made \$58.6 million in member benefit payments during the year.

The RTF is governed by a group of appointed Trustees. The RTF Trustees hold regular meetings to provide strategic guidance and policy directives for RTF investments, and to review the performance and operations of the investments. The primary objective of the Trustees is to secure the promised pension benefit and with the benefit secured, provide indexation to the extent that investment performance permits. As a group, the Trustees take a long-term view when establishing policy and strategy to enable the RTF to achieve its' financial and Plan benefit objectives.

Fund Structure:

The RTF trustees have aimed to structure and maintain a diversified portfolio of various asset classes including Canadian and international stocks, Canadian bonds, mortgages, US Private debt, and alternative asset classes. The alternative asset class includes real assets (domestic and non-domestic real estate, infrastructure) and private equity strategies. The RTF's current asset mix policy has established allocation targets of 40% publicly-listed equities, 30% alternatives, and 30% fixed income, although the actual mix will vary within prescribed ranges. The targeted allocation for public equities is stated as 40% but will be allowed to hover higher until private placement equity subscriptions in the real assets and private equity areas are completed. The RTF's asset allocation as at the most recent fiscal year end, June 30, 2021, is illustrated in the following chart.



During the year an asset/liability study was completed on the RTF. This concluded with some minor changes to the asset mix which were approved by the Trustees at the June 2021 Investment Committee meeting. The revised asset mix has a decrease in public equities to 32.5%, a slight increase in alternatives to 32.5%, and an increase in fixed income to 35%. It will take some time to implement the new asset mix, and public equities will continue to be allowed to drift higher until private placement equity subscriptions in the real assets and private equity areas can be closed and capital called for those commitments.

The RTF Trustees engage multiple external investment management firms to invest the Fund's assets, which provide the RTF with another level of diversification. Specific investment mandates within certain asset classes are assigned to each firm to provide different yet complementary investment philosophies and styles. Collectively these manager assignments are administered to conform to the Fund's investment asset mix policy.

As noted earlier, the RTF's net assets were valued at \$829.8 million as at June 30, 2021, an increase of \$142.5 million from June 30, 2020. This increase, as depicted in the following table, was the result of investment gains and fund inflows for new retirees, less pension payments and fund expenses incurred during the year.

Changes in Net Assets Available for Benefits
For the year ended June 30, 2021
(millions)

Funding for new pensioners	\$ 68.2
Investment Returns	137.2
Benefits Paid	(58.6)
Fund Expenses	(4.3)
Net Change	<u>\$142.5</u>

Investment Returns:

Public equities in Canadian, U.S. and overseas markets posted very strong returns for the twelve-month period ending June 30, 2021, with returns ranging from 27.07% to 40.79% in local terms. The US equity market, as represented by the S&P 500 had the highest return with 40.79% (in USD), while international equities returned 27.07% (in local terms). The U.S. and international returns decreased to 28.24% and 20.54% respectively for the Canadian investor, as the Canadian dollar strengthened against other currencies during this period. The Canadian bond market yielded a negative 2.43% return as yields rose during the period.

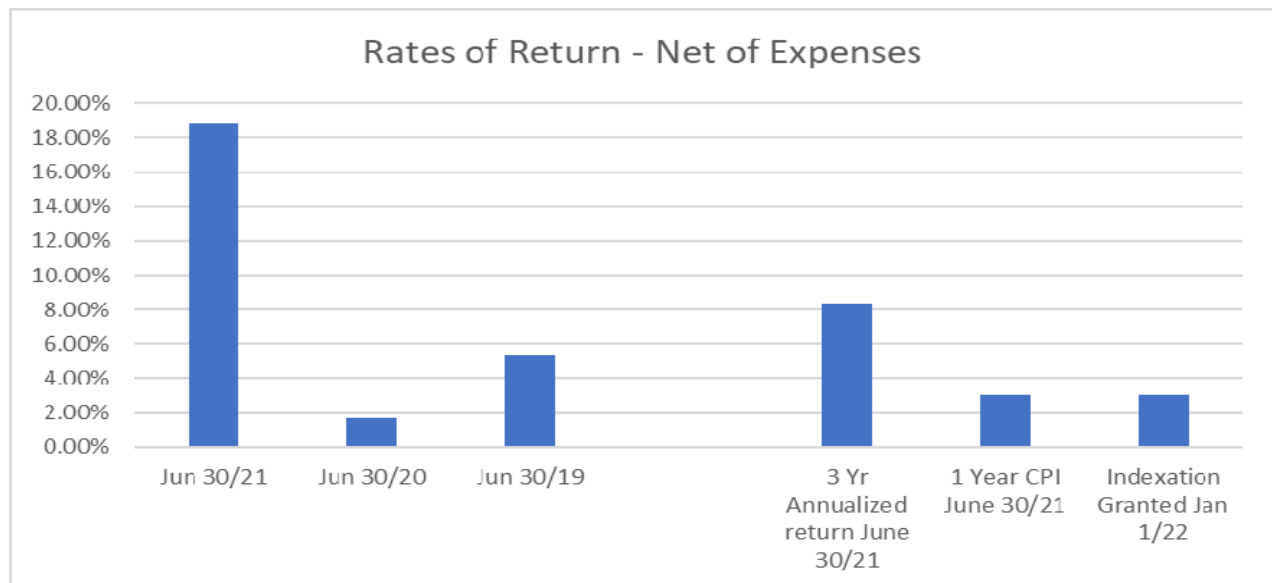
The RTF's returns (before expenses) and policy benchmark objectives (financial market index returns weighted per the RTF's policy allocation) for periods that ended June 30, 2021 were:

	<u>Annualized Returns (before fees) as at June 30, 2021</u>				
	<u>1 Year</u>	<u>2 Years</u>	<u>3 Years</u>	<u>4 Years</u>	<u>10 Years</u>
RTF	19.4%	10.5%	8.9%	8.7%	8.4%
Passive Benchmark	15.3%	10.6%	9.3%	8.8%	8.2%

Indexation:

a) Annual Indexation

The Dalhousie University Staff Pension Plan has an "excess interest" indexation provision that can increase pensions each January 1st for eligible retirees (those who retired prior to January 1 of the previous year). "Excess interest" may be available should the RTF's 3-year annualized return net of expenses for the 3-year period ended the previous June 30 exceed a threshold of 5.05%. The maximum allowable indexation is the 1-year Canadian Consumer Price (CPI) Index change as of each June 30th. Should the RTF's 3-year annualized return fall short of the 5.05% threshold in any given year, this shortfall must be recovered in subsequent years before any future indexation may be granted by this "excess interest" provision. Currently there is an accumulated shortfall of 0.1871% for annual indexation determination purposes.



The RTF's 3-year return net of expenses at June 30, 2021 was 8.366% therefore exceeding the 5.05% hurdle and the accumulated shortfall of 0.1871%. CPI for the year ended June 30, 2021 was 3.0612%. As the lesser of excess interest and actual CPI is granted, a pension increase of 3.0612% will be provided to those pensioners who are eligible for indexation January 1, 2022, the amount of full CPI.

b) Catch-up Indexation

The Plan also gives the Trustees the discretion to use up to one-half of any surplus that an actuarial valuation may have identified in the Fund to catch up on any indexation missed in previous years. The actuarial valuation at January 31, 2020 identified a surplus of \$10.3 million. The RTF trustees met in March 2021 as they had deferred the decision in the fall of 2020 due to market volatility and uncertainty from the global pandemic. At the March 2021 meeting, and seeing improved funded status of the plan as a result of the strong rebound in the markets, the Trustees decided to use \$5,154,500, the full amount available, to award catch up on missed indexation over the 2012 and 2013 period on a go-forward basis to eligible pensioners. This was effective January 2021 and paid out in June 2021.

The RTF's final audited financial statements for June 30, 2021 can be accessed at the University's Pension website:
<https://www.dal.ca/dept/pension/reports/dalhousie-retirees--trust-fund-annual-financial-statements.html>

Questions relating to the Fund's investments may be directed to Nancy-Beth Foran at (902) 494-2307, while benefit-related queries can be directed to Laurie Creelman, Senior Pension Advisor at (902) 494-1120.

The current Trustees serving on the RTF are as follows:

Robert Richardson(*Chair*)
 Paul Conrod
 Aubrey Palmeter

David Cameron – until June 2021
 Greg Hebb
 Ron Pink – until Dec 2021

Level Chan
 Andrew Cochrane – joined June 2021
 Gitta Kulczycki
 Jonathan Shapiro – joined Jan 2022

Yours truly,

Robert Richardson, Chair