



# Retirement Plan

2023-24 Update

**Carleton**  
University



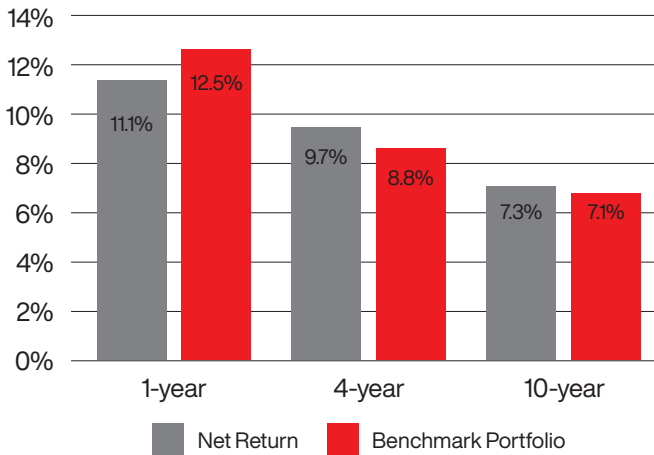


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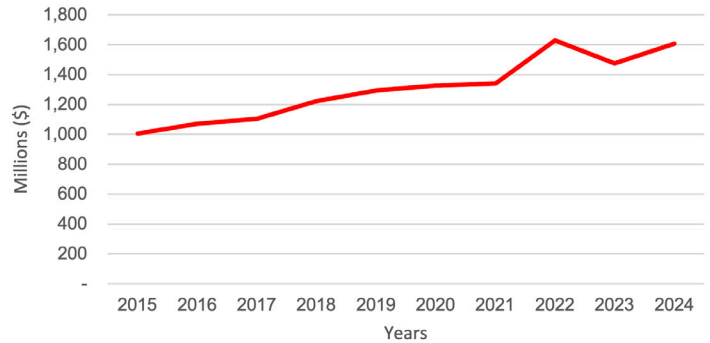
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# Retirement Plan at a Glance

11.1% fiscal year net rate of return



Historical Market Value



\*Returns presented are time-weighted

**\$24.2M**

Carleton Employer Contributions to the plan in the fiscal year

**\$16.2M**

Employee contributions to the plan in the fiscal year

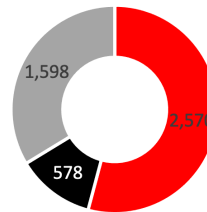
**\$79.7M**

In benefit payments to retirees in the fiscal year



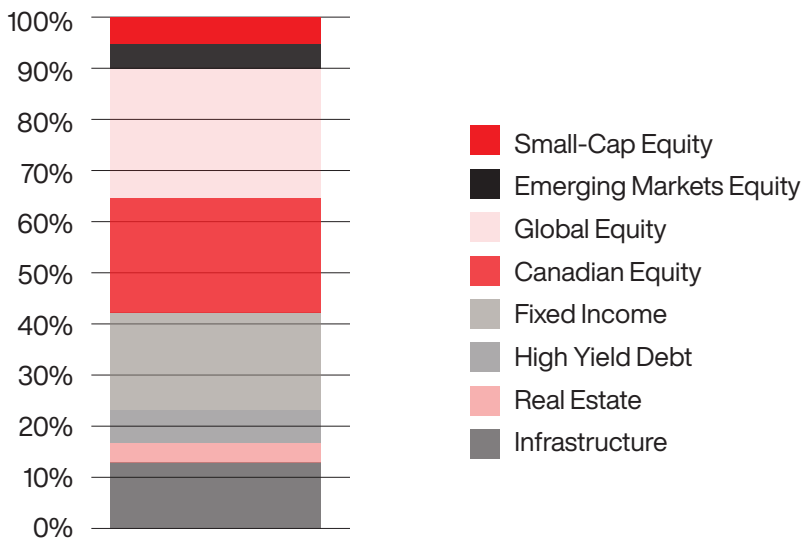
**4,746**

Plan members as at June 30, 2024



- Active members
- Inactive members
- Retirees

## Target Asset Mix on June 30, 2024



**\$1.7B**

Market Value at June 30, 2024

↑ Up from

**\$1.6B**

Market Value at June 30, 2023

## Actuarial Valuation

**Going-Concern Ratio**  
**106%**

**Solvency Ratio**  
**108%**

The Retirement Plan continues to be fully funded following a strong fiscal year return of 11.1% net for the Retirement Fund. This return was top quartile relative to BNY Mellon's Universe of 77 Canadian corporate, public, university, and joint sponsored pension plans representing \$308 billion of assets. The most recent official actuarial valuation was completed as of June 30, 2022 and showed the Plan is fully funded on both a going-concern and solvency basis. The going-concern methodology assesses the financial health of the Retirement plan over the long-term whereas the solvency methodology assesses the health the Retirement Plan if it were to be hypothetically terminated. Both methodologies use prescribed assumptions assessed by a third-party actuarial firm.

# Planning for your Retirement

The Carleton University Retirement Plan (the “Plan”) is an important part of an eligible employee’s compensation package from the University. The financial support structure in retirement consists of four main pillars:

CARLETON UNIVERSITY RETIREMENT PLAN

GOVERNMENT PROGRAMS (CPP, OAS, GIS)

REGISTERED SAVINGS VEHICLES (RRSP, TFSA)

NON-REGISTERED SAVINGS

The sooner you start investing the more your investments will have time to grow over your career. This is the power of compound interest. Retirement income comes from numerous sources such as the Canada Pension Plan, Old Age Security, Registered Retirement Savings Plans, Tax-Free Savings Accounts, and your employer pension. In addition, income may be supplemented through other means such as your non-registered savings accounts and your home’s equity. Understanding all of these components will help with your financial plan when it comes to retirement. Most employees make this transition by working with a financial advisor.

Service Canada provides details on government pensions and retirement payment programs, which can be accessed here:

<https://www.canada.ca/en/services/benefits/publicpensions.html>

A copy of your Canada Pension Plan Statement of Contributions can be accessed here: <https://www.canada.ca/en/employment-social-development/services/my-account.html>

Retirement planning resources for employees of Carleton University include the following:

**Annual Pension Statement:** Members receive an annual pension statement (to be provided on or before Dec. 30 of each year). The annual statement includes current pension years of service, normal retirement date, estimated annual pension, account balances, annual contributions, and investment returns. Pension statements are available on My HR Carleton Intranet.

**Carleton Pension Calculator:** The Carleton Pension Calculator is available to active Plan members via the employee portal. You can forecast your pension here: <https://www.carleton-ret.ca/>

**Carleton University Pension Plan Booklet:** The pension booklet contains details that explain our Plan including eligibility, contribution rates, benefit formula, and retirement age. It can be accessed here: <https://carleton.ca/hr/pension/#pension-plan-booklet> **Note:** the information in the Booklet is general in nature and provided for ease of use only.

**Pension information sessions:** Throughout the year Human Resources and the Pension Fund Management office conduct information sessions that explain the hybrid plan structure, pension benefit calculation, retirement options, as well as Plan governance and Retirement Fund return updates.

**Retirement planning meetings:** Employees can arrange confidential meetings with Human Resources staff to discuss retirement-related items, including their pension benefit.





# Pension Plan Governance

The University established the Plan and is referred to as the Plan Sponsor. The Plan Sponsor is responsible for all Plan amendments, payment of benefits, and contributing the employer portion of required Plan payments.

The Administrator of the Plan is also the University however this function is delegated to the Pension Committee (the “Committee”) which determines all questions arising in the administration of the Plan. This includes interpretation and application of the Plan deliverables together with eligibility, service, earnings and retirement of members for the purposes of the Plan. The

Committee also is responsible for reviewing performance of the Retirement Fund, as well as any proposed changes to the plan design, and the appointment of any Investment Managers.

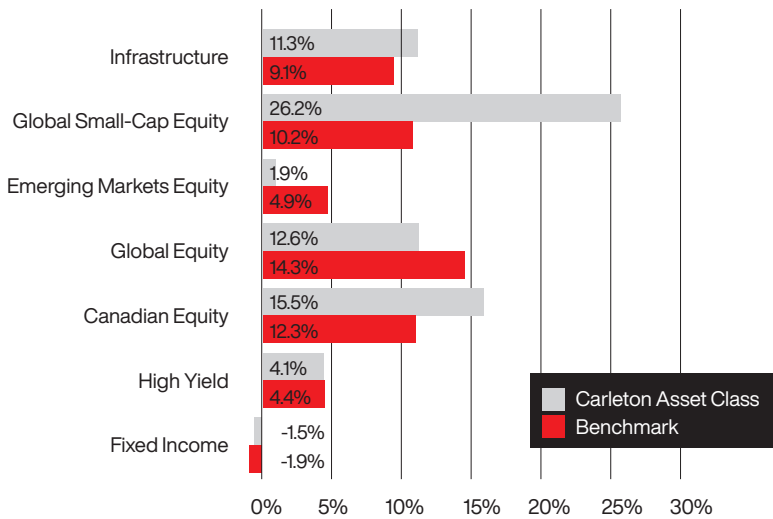
Decisions or recommendations of the Committee such as plan design changes and external Investment Manager selection are submitted to the Finance Committee of the University for its review and are subject to the approval of the Board of Governors acting upon the recommendations of the Finance Committee. All items brought and not immediately approved are returned to the Pension Committee for further review.

**Figure 1: Fiscal Year Activities of the Pension Committee**

<b>Fund Performance Reviews</b>	The Chair of the Pension Committee presented four detailed performance reviews for the periods ending September 30/23, December 31/23, March 31/24, and June 30/24.
<b>Pension Committee Education</b>	Committee members participated in the following education sessions: <ul style="list-style-type: none"> <li>• Value Investing</li> <li>• Private Equity &amp; ESG</li> </ul>
<b>Review of Audited Financial Statements</b>	Committee members approved the Plan’s audited financial statements for the Plan year ending June 30, 2024.
<b>Review of SIP&amp;P</b>	Committee members recommend the approval of the Statement of Investment Policy and Procedures (SIP&P) as of June 30, 2024.
<b>Investment Managers</b>	Committee members recommended the approval of a new infrastructure manager to bring the allocation back to the SIP&P target weight of 15%.  Committee members recommend the approval of two private equity managers as part of the new 10% allocation.

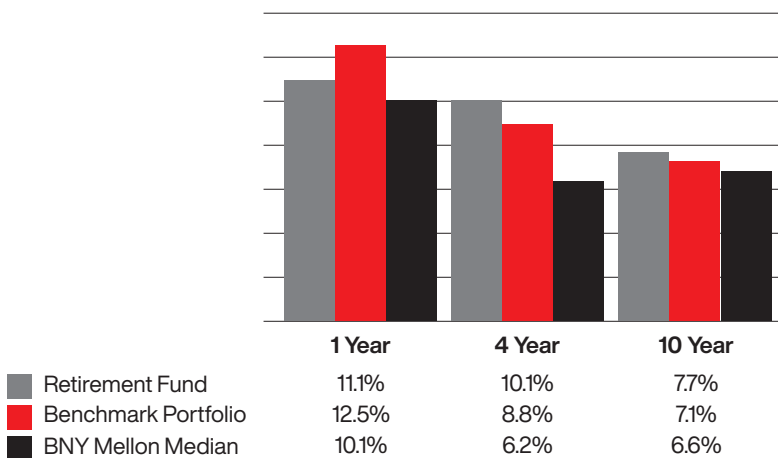
# Retirement Fund Investment Performance

Figure 2: 4-Year Asset Class Returns as at June 30, 2024 - gross of fees



The Committee assesses investment manager performance over the long-term relative to benchmarks established at the time of hiring. For example, if we hire an investment manager to buy Canadian public companies, we assess their performance against the Toronto Stock Exchange (TSX). The Committee focuses on rolling four-year performance versus benchmarks. Overall performance is strong relative to benchmarks. Much of the relative performance is attributed to Canadian Equity, Global Small-Cap Equity, and Fixed Income. The slight underperformance of our active managers within the Global Equity allocation results from a small underweight to stocks called the Magnificent 7 (Apple, Microsoft, Alphabet, Amazon, Nvidia, Meta, and Tesla) that have benefited from the hype around artificial intelligence. The expense ratio of the Retirement Fund is approximately 46 basis points. The Committee expects investment managers to outperform their benchmarks after fees.

Figure 3: Annualized Rates of Return – as of June 30, 2024 – gross of fees



Investment performance in fiscal year ending June 30, 2024, was 11.1% gross which was below the Benchmark Portfolio by 1.4%. This was primarily due to the Global Equity allocation and the external Investment Managers being underweight the Magnificent 7 stocks relative to their MSCI World benchmark. The Retirement Fund outperformed the Benchmark Portfolio by 1.3% over 4-years and 0.6% over 10-years. The Retirement Fund delivered top quartile performance over all time periods relative to BNY Mellon's Universe of 77 Canadian corporate, public, university, and joint sponsored pension plans representing \$308 billion of assets.

Figure 4: Asset Mix as of June 30, 2024

Asset Class	Allocation %	Policy Allocation %	Range	
			Minimum	Maximum
<b>Fund</b>				
Cash	0.1%	0%	0%	5%
Fixed Income	20.4%	20%	10%	30%
Canadian Equities	24.3%	22%	12%	32%
Global Equities	27.8%	25%	15%	35%
Emerging Market Equities	4.3%	5%	2%	8%
Small-Cap Equities	7.5%	5%	2%	8%
High Yield	4.2%	5%	2%	8%
Infrastructure	11.4%	15%	5%	20%
Real Estate	0%	3%	0%	10%
Private Equity	0%	0%	0%	10%

# Responsible Investing

## Commitment to Responsible Investing

The Carleton University Retirement Plan integrates environmental, social and governance (ESG) factors into its investment strategy while maintaining a focus on maximizing returns for our members. As part of Carleton's commitment to Responsible Investing (RI), the University participates in leading investor collaborations and coalitions:



The [PRI](#) is the world's leading proponent of responsible investment and works to support investor signatories in incorporating ESG factors into their investment and ownership decisions.



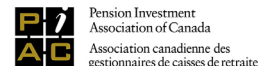
[UNIE](#) is a shareholder engagement program for university endowments and pension plans, leveraging their power as institutional investors to address climate change-related risks. Carleton is a founding member.



[ACPM](#) is the leading advocacy organization for retirement plan sponsors and administrators in Canada who manage plans for millions of plan members.



[CPBI](#) fosters professional development of Canadian pension and benefits industry via networking and educational content and bring people together to build relationships and exchange ideas in a safe, respectful and inclusive environment.



[PIAC](#) is a forum for pension plans to share information and knowledge. It is made up of over 130 of the largest pension plans in Canada.

## Responsible Investing Approach

The Fund's Responsible Investing Policy sets out expectations for external Investment Managers, including requirements to incorporate ESG through:

**ESG Integration:** Integrate consideration of material ESG risks and opportunities to the investment decision-making process, alongside financial considerations.

**ESG Engagement:** Monitor investments and engage with investees where significant ESG concerns are identified.

**Proxy Voting:** Undertake proxy voting on behalf of the Fund for listed equity holdings, taking ESG considerations into account.

During the calendar year, CURP submitted a report on its responsible investing activities to the United Nations supported Principles for Responsible Investment (PRI). The report is compulsory and is required of signatories. The results below assess CURP's responsible investing initiatives relative to 5,391 signatories representing over US\$121.3 trillion in assets.

## Engagement

The Retirement Fund's external public equity Investment Managers vote proxies in accordance with our Responsible Investment Policy and also engage management of our underlying equity holdings. There were 476 separate engagements on topics ranging from carbon emissions, climate transition plans, biodiversity, green buildings, human capital development, privacy and data security, labour management, board independence, business ethics, executive pay, and organizational culture.

The University Network for Investor Engagement (UNIE) also engages publicly traded North American companies on climate change. This is a Canadian university sector initiative run by SHARE. There were 44 specific engagements with Carleton public equity holdings related to climate change and reducing greenhouse gas emissions. In the calendar year, UNIE's engagements resulted in climate commitments from Saputo, Metro, and Dollarama.

## Summary Scorecard

Module score Star score	AUM coverage	☆☆☆☆☆ 0 <= 25%	☆☆☆☆☆ >25 <= 40%	☆☆☆☆☆ >40 <= 65%	☆☆☆☆☆ >65 <= 90%	☆☆☆☆☆ >90%
Policy Governance and Strategy ☆☆☆☆☆					84	
Indirect - Listed equity - Active ☆☆☆☆☆	>50%					96
Indirect - Fixed income - Active ☆☆☆☆☆	>=10 and <=50%					95
Indirect - Infrastructure ☆☆☆☆☆	>=10 and <=50%					95
Confidence building measures ☆☆☆☆☆						100

PRI Median

100

Module Score

# Actuarial Valuation

An actuarial valuation is an analysis of the financial position of the Plan and is prepared at least once every three years. Given that the University's hybrid pension plan has an underlying minimum guarantee pension, an actuarial valuation must be conducted for the Plan. The valuation is completed by a third-party actuarial firm and it determines the financial position of the Plan and future obligations. The analysis makes assumptions of future investment returns, inflation rates, salary increases, retirement ages, and life expectancies of our Plan members.

The actuarial valuation report must be filed with the regulators at least once every three years. The most recent actuarial valuation filed with the Financial Services Regulatory Authority of Ontario ("FSRA") and the Canada Revenue Agency ("CRA") was effective June 30, 2022 and was filed on March 7, 2023.

The Plan is assessed using two main actuarial methodologies:

**Figure 5: Actuarial Valuation Results**

Going-Concern Ratio	Solvency Ratio
<p align="center"><b>106% Funded</b> <b>\$51.4 million surplus</b></p>	<p align="center"><b>108% Funded</b> <b>\$70.5 million surplus</b></p>
<p>Going-Concern Ratio: Assumes the Plan will continue indefinitely. Assumptions are set by the actuary with the Pension Committee's input and are subject to actuarial standards of practice. Going-Concern deficits are amortized over a 10-year period. To bolster the Going-Concern ratio, the Ontario regulator adds a provision for adverse deviation (PfAD) to the going-concern liabilities to make the ratio more conservative when determining if a Plan is fully funded.</p>	<p>Solvency Ratio: Assumes that the Plan will hypothetically terminate on the valuation date and uses prescribed assumptions. Solvency deficits are amortized over a five-year period. In Ontario, deficits are amortized if the Plan is below an 85% funded status.</p>

The Plan is fully funded on both a going-concern and solvency basis.

The next required filing date is as of June 30, 2025 at the latest. The Pension Committee monitors the financial position of the Plan on an annual basis through updates from the third-party actuarial firm.

