BUDGET PRESENTATION

Board of Regents Meeting
May 19, 2016
Pension

Operating

Capital/Infrastructure

Special payments

Infrastructure Fund
- Core Science
- Deferred maintenance
- Other capital
MUN Pension Plan: 2004 - 2015

Memorial University Pension Plan Funded Ratios
March 31, 2004 - 2014
Updated with estimate to Dec. 31, 2015
(excl. indexing liability - 000s)

Funded Ratios:
- 2004: 93.7%
- 2005: 88.9%
- 2015: 97.8%
Memorial Pension Fund: past deficit

- Deficits of 2009 to 2011 caused by:
  - Investment losses in 2008
  - Government template, i.e. 21% salary raises
- Significant deficit reduction from markets recovery and lower (than assumed) salary increases
- Special payments based on deficits cannot be reduced as long as there is a solvency deficiency and solvency deficiency will exist until bond rates increase

- 2015/16: Special payment requested/deferred
- 2016/17: Final special payment ($27M) deferral allowed (if requested); expectation of pension agreement this year
Memorial Pension Fund Actuarial Valuation: Impact of Assumptions on Operating Budget

- 93.7% funded (assets at market, Dec. 31, 2015)

- Full actuarial valuation for Dec. 31, 2015
  - Assumptions approved by Board (Mar. 17, 2016)
  - Discount/investment rate lowered (6.3% to 5.8%)
  - Estimated negative impact: additional 1.6% ($5 M) annual contribution by employer (and matched by employees)
2-Year Budget Framework

(2015/16 & 2016/17)

Approved by Board of Regents July 2015
**2016/17 Budget Framework: Approved July 2015**

### OPERATING BUDGET

1. **Template salary and benefits**
   Based on collective agreements
   $3.55 M

2. **Grant in lieu of tuition increase**
   $4.0 M (2016/17)

3. **Non-salary operating; Net = 0**
   - Residence Fees + $1.9 M
   - Grad Student Tuition + $2.0 M
   - Admin Cost Cuts + $3.6 M
   - **Total**: $7.5 M

   **2015/16 Budget cut = ($6.7 M)**
   **2015/16 Deficit = ($0.8 M)**
   **($7.5 M)**

4. **Engineering expansion $1.14 M**

5. **Nursing consolidation $TBD**

6. **Pension special payment**
   Pension Agreement

### INFRASTRUCTURE BUDGET

1. **Deferred Maintenance**
   (2015/16 Budget allocation= $0)
   - Restored allocation ($8M)

2. **Animal Care Bld (30M)**
   from infrastructure fund

3. **Revenue - Infrastructure Fund**
   - $4.0 M (2014/15)
   - $4.0 M (2015/16)
   - **$4.0 M (2016/17)**
   - **$12.0 M per year**

   Deferred/re-allocated infrastructure
   High bay student lab, archive, etc

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**Pension Fund**
Pension Agreement
Additional Proposed Budget Reductions/Savings, i.e. Government Renewal Initiatives

1. Deferred maintenance cut: $8 M per year x 3 yrs
   -$8 M from MUN Infrastructure Fund for 3 yrs
   -$8 M in 4th year and beyond for Core Science Facility debt payment

2. Attrition (salary cuts): replace 7 to 8 for every 10 ($250 M/yr salary budget @ 5% turnover @ 7.5/10 replacement)
   $3.0 M/yr cumulative for 2 of 3 years ($6 M/yr after 3 yrs)

3. Reduce provincial payment for Core Science Facility via federal infrastructure program $ substitution
   = $100 M savings
### 2016/17 Operating Budget Allocations

1. **Template salary and benefits** (based on collective agreements)  
   **Yes**
   
   But, salary attrition cuts  
<table>
<thead>
<tr>
<th>Budget 2016/17</th>
<th>(next 2 yrs)</th>
<th>Total (4 yrs)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>$3.0 M/yr</strong></td>
<td><strong>+$3.0 M/yr</strong></td>
<td><strong>$6.0 M/yr</strong></td>
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</tbody>
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2. **Grant in lieu of tuition increase**  
   **Yes**
   **$4.0 M/yr**

3. **Non-salary operating Net = 0**  
   **NO**

<table>
<thead>
<tr>
<th>Budget Cuts</th>
<th>2015/16</th>
<th>2016/17</th>
<th>(Next 3 yrs)</th>
<th>Total (4 yrs)</th>
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<tbody>
<tr>
<td>Residence</td>
<td>$1.9 M</td>
<td><strong>$8.3 M/yr</strong></td>
<td><strong>+$10.6 M/yr</strong></td>
<td><strong>$18.9 M/yr</strong></td>
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<tr>
<td>Grad Tuition</td>
<td>$2.0 M</td>
<td></td>
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<tr>
<td>Admin. Cuts</td>
<td>$3.6 M</td>
<td><strong>$2.70 M</strong></td>
<td>one time (specific carry-forwards)</td>
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<td></td>
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<td></td>
<td>+ inflation/tax increases in budget</td>
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<tr>
<td>$7.5 M*</td>
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**2015/16 Cut**  
**($6.7 M)**

**2015/16 Deficit**  
**($0.8 M)**

**$7.5 M**

4. **Engineering expansion** $1.14 M/yr  
   *Yes @ $1.0 M/yr; but less $1.0 M one-time*

5. **Pension special payment**  
   Notice of final year for discussion/agreement
2016/17 Infrastructure Budget Allocations

1. Infrastructure Expenditures
   a) Restore deferred maintenance * ($8.0 M)
      Deferred maintenance allocation = 0
   
   b) Animal Care bldg. (est. $25 M to $30 M)*
      *from Infrastructure Fund
      *Uncertain how to fund but highest priority for federal strategic investment fund @ 50%

2. Revenue -- Infrastructure Fund
   $4.0 M (2014/15)
   $4.0 M (2015/16)
   ? $4.0 M (2016/17) ? Given $8.3 M/yr budget cut
   $12.0 M per year

3. Deferred/re-allocated
   Further deferral
   High bay student lab, archives, etc.
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<tbody>
<tr>
<td>Prov. Cut (non-salary)</td>
<td>$8.3</td>
<td>$13.7</td>
<td>$16.3</td>
<td>$18.9</td>
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<td>Prov. Cut (salary attrition)</td>
<td>$3.0</td>
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<td>Pension Contributions</td>
<td>$1.1</td>
<td>$5.0</td>
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<td>Deferred Maintenance</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$8.0</td>
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<td>Infrastructure (operating)</td>
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<td>$0</td>
<td>$0</td>
<td>$4.0</td>
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<td>Inflation/Cost Increases</td>
<td>TBD</td>
<td>TBD</td>
<td>TBD</td>
<td>TBD</td>
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<tr>
<td><strong>Sub-total</strong></td>
<td>$12.4</td>
<td>$21.7</td>
<td>$27.3</td>
<td>$41.9</td>
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| Revenue / MUN Budget Cuts              |         |         |         |         |
| Prov. Grant in Lieu (tuition)          | $4.0    | $4.0    | $4.0    | $4.0    |
| Tuition Increase                       | $0.0    | $0.0    | $0.0    | $0.0    |
| MUN Cut (salary attrition)             | $3.0    | $3.0    | $6.0    | $6.0    |
| MUN Cut (administration)               | $4.1    | $4.1    | $4.1    | $4.1    |
| MUN Cut (travel )                      | $1.3    | $1.3    | $1.3    | $1.3    |
| MUN Efficiency savings/revenue         | TBD     | TBD     | TBD     | TBD     |
| **Sub-total**                          | $12.4   | $12.4   | $15.4   | $15.4   |

**NET (Budget gap)**                   | $0.0    | $(9.3)  | $(11.9) | $(26.5) |
Operating Grants – Provincial Government
($ millions)

- $251
- $275
- $306
- $323
- $340
- $350
- $365
- $375

Grant trajectory

Directed & Infrastructure
Engineering $ 4 M/yr
Marine Institute $ 6 M/yr
Infrastructure $10 M/yr
Thank You