

BUDGET PRESENTATION

**Board of Regents Meeting
May 19, 2016**

Pension

Operating

Capital/ Infrastructure



**Special
payments**

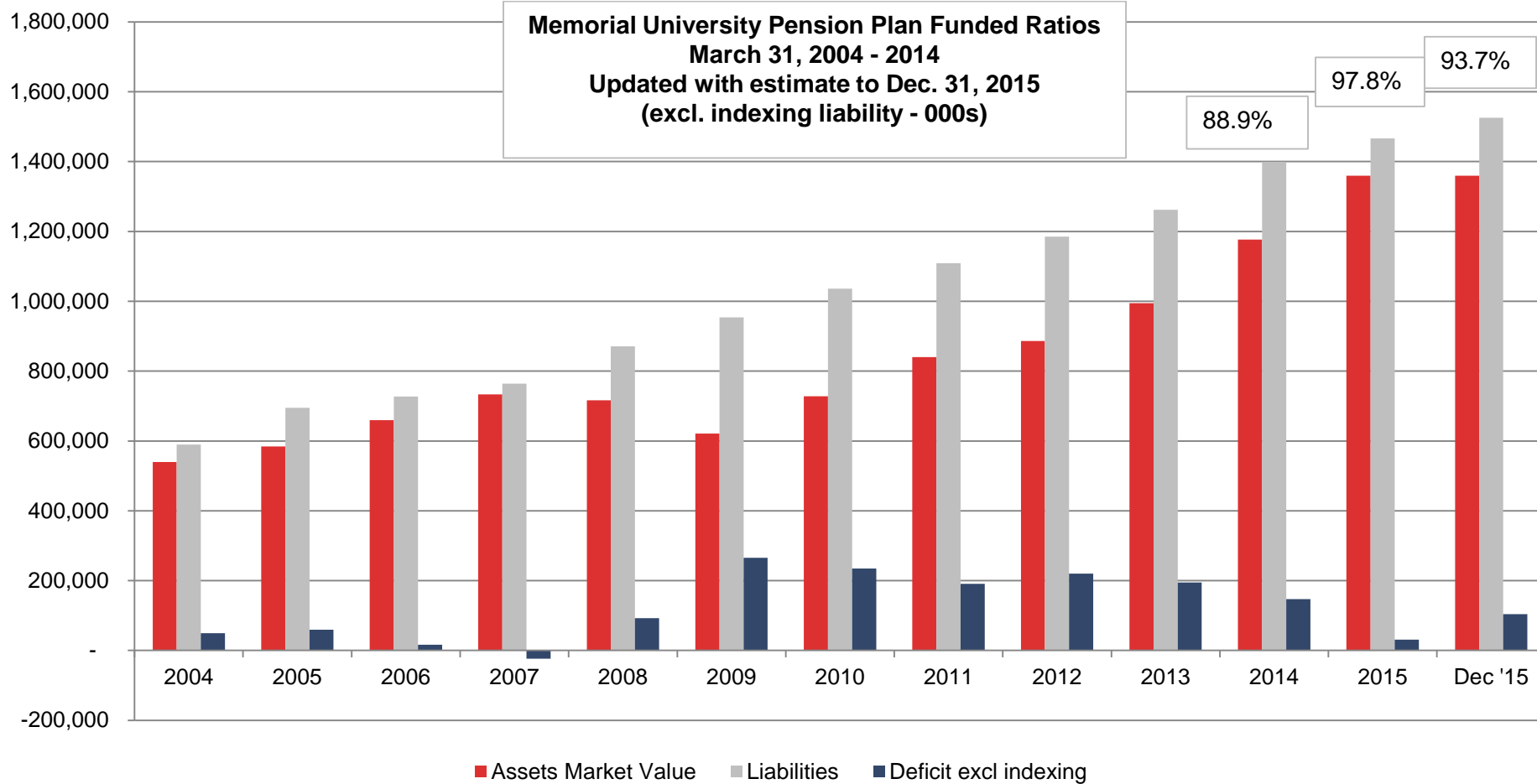
**Infrastructure
Fund**

- 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)



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
 - \$ 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 yearDeferred/re-allocated infrastructure
High bay student lab, archive, etc

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****

	<u>Budget 2016/17</u>	<u>(next 2 yrs)</u>	<u>Total (4 yrs)</u>
But, salary attrition cuts	\$3.0 M/yr	(+\$3.0 M/yr)	(\$6.0 M/yr)

2. Grant in lieu of tuition increase **\$4.0 M/yr **Yes****

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

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

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

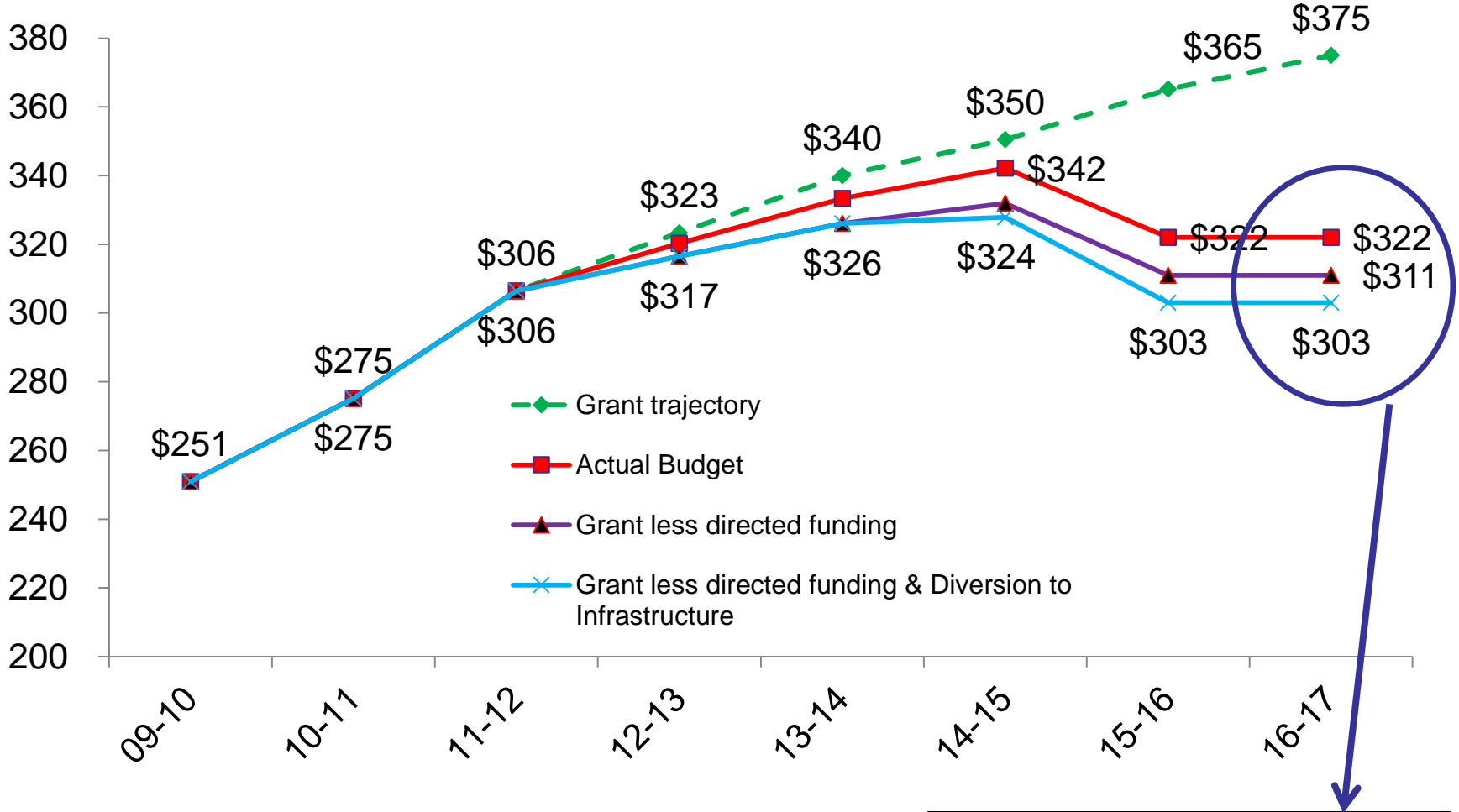
High bay student lab, archives, etc.

SUMMARY: OPERATING BUDGET CHANGES (\$M/yr)

<u>Grant Cuts/Cost Increases</u>	<u>2016/17</u>	<u>2017/18</u>	<u>2018/19</u>	<u>2019/20</u>
Prov. Cut (non-salary)	\$8.3	\$13.7	\$16.3	\$18.9
Prov. Cut (salary attrition)	\$3.0	\$3.0	\$6.0	\$6.0
Pension Contributions	\$1.1	\$5.0	\$5.0	\$5.0
Deferred Maintenance	\$0	\$0	\$0	\$8.0
Infrastructure (operating)	\$0	\$0	\$0	\$4.0
Inflation/Cost Increases	<u>TBD</u>	<u>TBD</u>	<u>TBD</u>	<u>TBD</u>
Sub-total	\$12.4	\$21.7	\$27.3	\$41.9
<u>Revenue / MUN Budget Cuts</u>				
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	<u>TBD</u>	<u>TBD</u>	<u>TBD</u>	<u>TBD</u>
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)



<u>Directed & Infrastructure</u>	
Engineering	\$ 4 M/yr
Marine Institute	\$ 6 M/yr
Infrastructure	\$10 M/yr

Thank You