

THE UNIVERSITY OF WINNIPEG
TRUSTEED PENSION PLAN
BOARD OF TRUSTEES

Minutes of the Meeting of
Monday, June 8, 2020

ATTENDANCE:

Present: Henry Hudek (Chair), Mark Betcher (Secretary), Colin Morrison (Vice-Chair), James Townsend, Barry Barske, Andrew Bendor-Samuel, Mike Emslie (Treasurer), Ray Erb, Roberta Marsh, Lorraine Parrington, Ron Youngson, Ed Byard, Murray Wiegand, Lorne Hilton

Also, In Attendance: Kerem Leylek from Eckler, and Tarun Kumar (recording secretary)

1. Approval of Agenda

MOVED: (M. Wiegand/R. Erb)

That the Agenda be adopted as presented.

...CARRIED.

2. Approval of Minutes of the meeting of March 9, 2020

MOVED: (R. Youngson/M. Betcher)

That the minutes of March 11, 2019 be approved as presented.

...CARRIED.

3. Valuation Assumptions (moved up from DB Committee Report)

K. Leylek provided an overview of the Actuarial Assumptions for the December 31, 2019 Valuation. He outlined the basics of the actuarial valuations required to be performed. 11.39% is the rate of return and 4-year average return is 6.89%. It is 0.89% greater than 6% which provides an increase to all retirees effective July 1, 2020.

K. Leylek noted that due to the COVID – 19 situation bond yields have decreased. This has created a negative impact on solvency liability & the commuted values will go up. He indicated that the going concern assumptions are going to capture the long-term view of the Plan and the discount rate assumption have not been significantly changed from prior year valuations. The decline in the discount rate is mainly due to lower expected yield on the fixed income portion of the portfolio as well as additional 20% bp.

K. Leylek reported due to exceptional performance on return on asset class in 2019 the funded ratio of the plan has increased from 84.9% at December 31, 2018 to 86.7% at December 31, 2019. He noted that it was expected that University contributions would decrease by about \$170,000 for 2019, with some calculations still to be done.

K. Leylek noted that there was a request to look at what discounted rate is required on fully funded basis and how much the yield must rise to achieve this discount rate. After looking at the information, the required discounted rate to fully fund the plan came to 6.45%. This takes into consideration the

glide path. So, as the plan improves there is a shift from Equity to Bonds and this 6.45% reflects that shift in the asset mix. The second thing looked at is what yields are required to get to 6.45% considering the glide path. To get to 100% funded ratio, yields need to increase from their current level of 1.5% to about 4.5%. He also added due to volatility in the markets, Eckler has internally revised the Capital Market Expectation as of April 2020. These expectations show that Bond yields have declined on Geometric 30-year Return which is used by the University, whereas there is not much of a difference on Equity side. If we look at the University on 30-year horizon based on the current funded status then there will additional 0.3% decline to discount rate from what is currently set as of December 31, 2019.

MOVED: (M. Emslie/R. Erb)

That the DB Committee's recommendation for the December 31, 2019 Actuarial Valuation assumptions embedded be approved as presented.

...CARRIED

ACTION ITEM: K. Leylek will share the updated presentation with the Board.

6. Annual General Meeting Business

a. Annual Conflict Report

T. Kumar reminded the Board that any outstanding conflict reports are to be submitted to him as soon as possible.

b. Election of Board Officers

R. Youngson was nominated (Unanimously) as a new Chair (acclaimed);
C. Morrison was nominated (M. Emslie/ E. Byard) to continue as Vice-Chair (acclaimed);
M. Emslie was nominated (E. Byard/M. Betcher) to continue as Treasurer (acclaimed);
M. Betcher was nominated (E. Byard/R. Youngson) to continue as Secretary (acclaimed).

c. Committee Membership

Board Committee Membership for the period from July 1, 2020 to June 30, 2021, was determined as follows:

DB Committee:

L. Hilton, C. Morrison, M. Wiegand, R. Youngson, M. Emslie, B. Barske, A. Bendor-Samuel.

DC Committee:

A. Bendor-Samuel, M. Betcher, R. Erb, C. Morrison, J. Townsend, R. Youngson, , Lorraine Parrington, M. Wiegand.

Operations Committee:

E. Byard, R. Erb, H. Hudek, M. Betcher, J. Townsend, M. Emslie, R. Marsh, R. Youngson.

d. Trustees review and accept Code of Conduct

Trustees were reminded to review the Trustee Code of Conduct. A copy of the Conduct report has been posted to Civic Web. M. Betcher indicated that Code of Conduct does not have a spot to sign and date saying that Trustee agrees to it. He asked for a suggestion from Committee if this is something, we should incorporate on go forward bases. E. Byard added that it makes good governance sense for Trustees to acknowledge that they have read it. A. Bendor-Samuel

noted that it will be good idea to merge both Code of Conduct & Conflict Report and make it a one single document.

ACTION ITEM: M. Betcher to get both the documents merged and have signature and date added to Code of Conduct. He will also have both these details updated on Board of Trustee Letterhead.

7. Report from DB Committee

M. Emslie reported for the DB Committee. The Committee met with Jeffrey King to review Q1 financial results. M. Emslie indicated that our value managers underperformed relative to the market on the way up and also underperformed on way down in Q1 however, moving from FGP turned out to be very good thing for the Plan as we did 10 points better than what FGP did in Q1. Beutel Goodman outperformed the value index although lagged the Canadian Benchmark. M. Emslie indicated that as a Committee we continue to monitor our value managers and had a call with Sprucegrove to understand about their approach and what they are planning for coming months. M. Emslie indicated that Wills Tower Watson is helping DB Committee with revision of SIPP and Eckler is also provided some help. The big shift in revised SIPP is to move away from the path that is in the current SIPP and our investments in Fixed income assets to move overtime to Long Bonds. He noted that we are proposing to change the way we deal with the Fixed income component of our investments and we take the interest rates to come in line with that of our liability.

MOVED: (M. Emslie/A. Bendor-Samuel)

That the draft DB SIPP be approved as presented.

...CARRIED

DB Interest Rate & AIR Filling

M. Emslie also reported that the Committee reviewed the DB rate of return. The Annual Information Return is still to be filed with the Province and T. Kumar is taking care of it.

8. Report from DC Committee

A. Bendor-Samuel reported for the DC Committee. A. Bendor-Samuel indicated that the annual review with Sun Life was postponed due to COVID-19 and was rescheduled to end of June 2020. It was noted that there had been a couple of issues with Sun Life regarding pension settlements which are fixed now. He noted that Committee is reviewing CAPSA as it is cyclical thing, though it still not fully complete. Committee is looking to move CAPSA to an online platform/one location which is accessible by everyone on the committee and they will be able to review and update information individually. A. Bendor-Samuel noted that Committee decided to work on a member survey which Mike was to create and due to his movement from the Committee, it is still an outstanding item. The Committee will work on it during our upcoming meetings.

A. Bendor-Samuel indicated Committee was busy with RFP for DC consulting. He added that we have received 11 submissions for the RFP. The Sub Committee have 6 members and we all reviewed the proposals and narrowed it down to 4 submissions with whom Sub Committee met in first week of June 2020. He also noted that Sub Committee felt that the cost of independent financial oversight is heavier than what they thought, so there will be some follow-up meetings the Sub Committee will have and once we narrow down on finalist then we will come back to the Board for approval.

H. Hudek asked if DC Committee feels that they will be able to ask for recommendation approval electronically before next Board meeting in September. A. Bendor-Samuel indicated that it is an option. If we can finalize the finalist, we can either call for special meeting or will wait until September Board meeting.

9. Report from Operation Committee

E. Byard reported for the Operations Committee. E. Byard indicated that the Committee had met with KPMG to review the 2019 financial statements. No concerns with the audit were expressed by KPMG and an unqualified opinion was provided.

It was MOVED: (E. Byard/M. Emslie)

That the draft Financial Statements be approved as presented.

...CARRIED

E. Byard indicated that the Committee developed the Annual Report to plan members and was recommending it for Board approval.

It was MOVED: (E. Byard/L. Hilton)

That the draft Annual Report to plan members be approved as presented.

...CARRIED

E. Byard noted that there is only one nomination received by Operation Committee for the position of external trustee, her name is Sheila Wilson-Kowal and she works at Cardinal Capital Management as a portfolio manager since 2015. She served at Pension Committee of Canadian Board while she was working there. She has extensive knowledge of financial issues and worked as a Financial Analyst. He added that she is well qualified and Operation Committee unanimously recommend her name for the position of External Trustee for a 3-year team as an External Trustees effective July 1, 2020 to the Board.

It was MOVED: (E. Byard/L. Hilton)

Sheila is appointed as External Trustee to the Board of Trustees effective July 1, 2020 for 3-year term.

...CARRIED

E. Byard asked if there is some information/letter that will be sent to the new Trustee after appointment. M Betcher added that there will a package which will be sent by Board of Secretary to the new Trustee which will help new Trustee to get familiar with the Plan, Committee's, and Board.

E. Byard also reported that the Committee had reviewed the Terms of Reference for the Board, Board Chair, Treasurer, Secretary, Committee Chair, Operations Committee, DB Committee and DC Committee. He also recommended the Terms of Reference to be approved by the Board for 2021 calendar year with no changes.

It was MOVED: (E. Byard/M. Wiegand)

That the Terms of Reference for the Board, Board Chair, Treasurer, Secretary, Committee Chair Operations Committee, DB Committee and DC Committee approved as presented for 2021 Calendar year.

...CARRIED

M. Betcher indicated that we still have Mary-Anne's name on Board of Trustee's letterhead and he wants to have it replaced by either his name, T. Kumar's name or if it should be c/o HR. H. Hudek added that it will be appropriate to have Mary Anne's name replaced by Board of Secretary's name.

E. Byard indicated that the Trustee term is an informational item on the agenda and that the IUOE position has been vacant for the past few years due to small number of members in the union. M.

Betcher added that he can reach out to IUOE to see if they can recommend someone as a replacement for T. Yuriy. E. Byard noted that they can also nominate a retiree to represent their group.

ACTION ITEM M. Betcher to reach out to IUOE to check if there is someone interested to join the Board.

10. Trustee Education Session

E. Byard indicated that A. Kulyk will be taking the September session where he will take the Board through actuarial assumption basics and R. Marsh will take the December session where she will share the information from her FTMS session.

11. Other Business

M. Betcher noted that we have blank Board of Trustee letterhead on the University of Winnipeg website and if the Board has any objection for it to be taken off from website. Board unanimously agreed to have the blank letterhead taken off from the website.

R. Youngson asked the Board if actuarial assumptions are already being discussed during DB Committee, if they will be making a recommendation to the Board for approval, and if it is necessary to have Eckler present it again at the Board of Trustee meeting. M. Wiegand indicated that the documents presented at Board of Trustee meeting have additional information and changed in some numbers than what was shared at DB Committee meeting. R. Youngson noted that even if there is additional information, that will not change the DB Committee recommendation. E. Byard added if there is a regulatory requirement to present it at Board. H. Hudek indicated that the Board has the right to approve the recommendation. It is a question of if the Board is comfortable in approving it without information being shared by Eckler in Board meeting and every Trustee have a right to ask for this information before approving the recommendation. It was decided later that this item will be taken up and discussed during next year meeting.

12. Honouring of Exiting Trustee

E. Byard as the chair of Operation Committee spoke about H. Hudek retirement from the position of Board chair and as a Trustee of the Board. E. Byard noted that Karen Zoppa (Former Chair of Board of Trustee) nominated Henry on September 11, 2008 to become a member of Board of Trustee. He became the Vice chair in 2010 and Chair in 2011. E. Byard noted that he reached out to various members who worked with Henry and got great words about Henry's work. Henry has shown enormous amount of commitment to the Board, very generous with his time and energy, his knowledge of economics and investments is amazing, and he is very tough to replace. Entire Board thanked Henry for his service to the Board and to the Plan.

13. Date of Next Meeting

The date of the next Board of Trustees meeting is September 21, 2020.

14. Adjournment

As there was no other business to come before the Board, the meeting was called adjourned.

Chair

Secretary