The University of Winnipeg Trusteed Pension Plan
Board of Trustees
Minutes of the Meeting
Wednesday, June 18, 2008

ATTENDANCE
Present: Mary Anne Walls, Greg Gillis, Barry Barske, Valerie Gilroy, Karen Zoppa, Wendy Josephson, Brent Stearns, Maurice Mearon, David Torz, Laurel Repski, Bill Balan.
Also Present: Doug Poapst, Plan Actuary

Regrets: Jim Clark

1. December 31, 2007 Actuarial Valuation Report
Doug Poapst took the Trustees through a review of the actuarial valuation report. The highlights of the review and related discussions are as follows:

- Normally, the results of the valuation are presented in August for filing by September 30, however, in this instance the valuation was completed earlier at the request of the University so that the valuation results could be included in the University's audited financial statements for 2007.

- As per requirements of the MB Pension Benefits Act, the plan must be valued on a solvency basis, however Regulation 141/2007 exempts the University from regular solvency funding requirements.

D. Poapst indicated that the assumptions are different for the solvency valuation than for the going-concern valuation because it must be assumed that the plan is wound up and annuities are purchased from insurance companies. The lower the interest rates the higher the cost of the annuities.

K. Zoppa asked whether a solvency ratio of 90% had to be maintained. L. Repski indicated no, but that no plan improvements could be made that would take the plan below a 90% solvency ratio. L. Repski indicated that she would bring a copy of the joint memo from actuaries and the relevant letter from the government to the next meeting.

G. Gillis asked if the plan is restricted from making full payments from the plan. L. Repski indicated that due to the solvency exemption we are no longer required to hold back a portion of a plan member's entitlement.

G. Gillis asked if the solvency deficiency was all interest based or benefit based. D. Poapst indicated that at this time it is both, but as time goes on and there are no longer any active members, any deficiency will only be interest based.

- The plan is also valued on going-concern basis, which is the usual basis for plan valuation. The going-concern position has improved from a funding deficiency of $3,746,000 at Dec. 31/04 to a funding deficiency of $2,384,000 at Dec. 31, 2007. While the improved position would normally call for reduced going-concern deficiency payments, as per a 2007 agreement, the University is continuing to fund the going-concern deficiency at the amortization rate of $386,000 per annum until such time as the going-concern deficiency is eliminated. If the $386,000 continues to be paid into the plan for the next 12 years, it would result in an actuarial gain in the plan of $948,000.

W. Josephson asked where the $386,000 goes. D. Poapst indicated that the money goes into the fund to pay past shortfalls because the assets are lower than the liabilities. The $386,000 is in the nature of a payment of debt to the plan.

- On Nov. 17, 2007 the Superintendent of Pensions for MB issued an Order requiring the University to proceed with the distribution of surplus (adjusted for interest) to plan members as per the original 2000 agreement. The University is to pay into the Plan a lump sum amount equal to the surplus distribution, and to reflect the payments in the actuarial valuation reporting. The University's appeal to the MB Pension Commission was not successful; the University is currently appealing to the Manitoba Court of Appeal.

V. Gilroy asked whether an adjustment for the surplus had to be made to the 2004 valuation. D. Poapst indicated that he reflected the adjustment to the 2004 valuation in the current report and that it doesn't change the result because it is treated as payment in and payment out. The 2007 valuation report also reflects the surplus even though it is under appeal.

- The current service shortfall has increased from a projected amount of about $200,000 per year in the 2004 valuation to a shortfall of $304,000 for 2008. The current service shortfall must be paid by the University in addition to the going-concern liability payments. The current service shortfall would have to be paid even if the plan did not have a going-concern deficiency, however, it would not have to be paid if the plan had a surplus. The present value of all future current service shortfalls is $2,728,000.

- The assets of the plan at Dec. 31, 2007 include about $1 million in solvency deficiency holdback which was paid out in early 2008.

B. Stearns wanted to know since the fund earned a negative return for 2007, why there was a cost of living increase to pensioners. D. Poapst explained that for the purpose of the valuation, the value of assets in the plan is determined using a smoothing method. The result of the smoothing method is that the rate of return on the fund for 2007 was 8.52%, enabling a cola increase.

L. Repski asked how common it was to use a smoothing method to value assets. D. Poapst indicated that about half of plans use a smoothing method. B. Barske indicated that it helps ensure that a cola is paid in bad years.

B. Balan asked why the cola increase in 2006 was a higher percentage to some pensioners. D. Poapst indicated that pensioners who retired prior to January 1, 1998 were covered by a 10 year cola guarantee that provided for an increase (on cumulative basis) of at least 75% of the increase in the Consumer Price Index. The 10 year guarantee is now expired.

- An analysis of the change in going-concern position from the last valuation shows that investment gains in excess of 6.275% per year together with the special payments of $386,000 per year were responsible for the reduction in the going-concern deficiency, mitigated by a significant loss due to change in interest rate assumptions, interest paid on member accounts, cola increases to pensioners and transfers from the plan, etc.

D. Poapst indicated that the change in interest rate assumptions is due to a commitment made to the government to move to more conservative interest rate assumptions (from 6.5% per annum to retirement and 6% thereafter, to 6% per annum to retirement and 5.75% thereafter).

A brief discussion followed on salary assumptions and the extent to which these assumptions for the purpose of the valuation reflect actual salary increases. D. Poapst indicated that the assumptions are a 'broad brush' application. He indicated that a 4% long term salary assumption is quite high, making it conservative for the purpose of the plan which should lead to salary gains in future valuations.

D. Poapst indicated that the significant loss due to transfers from the plan is due to the ability of retiring plan members to commute their retirement benefit. The calculation of commuted values is prescribed by the Canadian Institute of Actuaries (CIA) and the standards changed in February 2005. The effect of the change combined with low interest rates and revised mortality factors is that the amounts paid to plan members are considerably higher than in the past. However, in the future the loss should be somewhat mitigated by the reduced interest rate assumptions.

G. Gillis indicated that normally the loss due to transfers would be offset by a gain in future salary increases, however, the $1,722.22 cap in the plan makes it a flat benefit plan for academic employees which means there is no salary gain to offset the loss on transfers.

It was clarified that the plan allows commutations due to requirements of the MB Pension Benefits Act. An amendment to the Act is in process whereby commutation at retirement would be permitted only if the plan provides for it. As a result, the UW pension plan would have to be amended to take advantage of the new provisions.

- On a solvency basis the position has changed from a solvency deficiency of $15,140,000 (ration of 87.4%) at the 2004 valuation to a solvency deficiency of $20,665,000 (ratio of 84.9%) at Dec. 31/07, which in the absence of the Order would have required annual payments of $4,608,000 into the plan over a period of five years.

D. Poapst indicated that when the solvency balance is adjusted for the Superintendent's Order, the amount of the deficiency is the same, but the solvency ratio is higher (85.8%). However, it is his opinion that because the surplus is to be treated as an in-and-out transaction, this should not affect the solvency ratio in the plan and it is more appropriate to use the lower ratio of 84.9%.

L. Repski asked about recent amendments to the plan and whether the increase to age 71 had impact on the plan. D. Poapst indicated that he did not reflect the amendment in the valuation, however, that the impact would be very small.

D. Poapst indicated that he relies on data provided by others for the purpose of the valuation, however, he also conducts his own test to test for consistency.

B. Barske said that while the notes to the valuation indicate that the distribution of surplus to plan members is being delayed, it is not really being delayed since the current Order indicates that the University has until March 2009 to make the payment. L. Repski indicated that the current Order was not received until the valuation was completed and this information had not been available.

L. Repski indicated that the valuation report presented a good opportunity to communicate with plan members.

G. Gillis suggested that at some point it may be more appropriate to purchase annuities for pensioners in order to deal with investment return risk. D. Poapst indicated that the difficulty with such a move is that it would not be possible to provide ad hoc cola increases to pensioners after annuities were purchased due to CRA regulations. The only means of paying a cola increase in that case would be outside the plan. D. Poapst indicated that the issue of when to buy annuities will be a challenge for the Trustees as they will need to determine at what point the risk becomes too big relative to the plan.

D. Poapst asked for direction from the Trustees and University to go ahead and file the valuation report. L. Repski indicated that the direction should be provided by the Trustees, but, since the Trustees will not formally begin to act until July 7th, the direction will need to be deferred until then.

Adjournment