The University of Winnipeg
Trusteed Pension Plan
Board of Trustees

Minutes of the ALS Meeting
Tuesday, July 24, 2012

ATTENDANCE:
Present: Henry Hudek (Chair), Laurel Repski (Vice-Chair), Mary Anne Walls (Secretary), Mike Emslie (Treasurer), Barry Barske, Jane Barske, Judy Graham, Kyle MacDonald, Colin Morrison, Hans Werner, Murray Wiegand, Ron Youngson, Greg Gillis

Regrets: Ray Erb, Ed Byard

Also In Attendance: Ronda Perinot (Recording Secretary), Andrew Kulyk (Plan Actuary), and AON Hewitt presenters: Nathan LaPierre, Brian White and Jeffrey King

Agenda: Planning meeting for the AON Hewitt Asset/Liability Study and review of Actuarial Valuation assumptions.

1. Asset Liability Study

The AON Hewitt presenters described their company's role and approach and indicated that their objective is for pension plan fiduciaries to use the asset/liability study as a tool that would enable them to reach a comfort level so that they can make appropriate investment decisions. The presenters then took the Board through their presentation (supported by a handout).

It was noted that most pension plans are currently in a deficit position and the goal is to find a middle ground (protect assets and regain solvency losses). The two main components to this are growth and hedging of assets. A discussion took place concerning duration as a measure of risk (longer duration equals higher risk) and a request was made for an easy to read explanation of the concept of duration in the context of pension plan liabilities. The additional information will be provided by AON Hewitt.

ACTION ITEM
AON Hewitt to provide the Board with an easy to read explanation of the concept of duration.

The next step in the asset/liability study is to project plan liabilities over numerous economic scenarios and test various portfolios. The result of this mapping and testing is to arrive at an "efficient frontier" which would represent the best level of return for varying degree of risk. Based on the presented options, risk tolerance and other factors, the most appropriate investment strategy would be developed. Cash outflows will be available at end of study.

It was noted that a mature plan with more retirees than actives should move more toward market-related value of liabilities rather than valuing liabilities on a going concern basis which is currently the case given that with a mature plan it becomes more and more predictable what will be paid out.

It was also noted that the plan liabilities are complex due to the cola provisions in the plan. As a result it is recommended that a yield curve based on Government of Canada Long Term Bond Index be used for the study. The plan maximum benefit will also be taken into account in the modeling assumptions. Solvency will also be modeled for information. The goal of the modeling is to have a range of projections and to understand the risk and variability of the options. It was confirmed that the model will be net of fees; it will show annual results, but be focused on the long term.

It was proposed to provide two sets of portfolio models for next discussion. The portfolios will be based on a mix of traditional and non-traditional asset classes. Recommendations will be presented concerning the minimum and maximum for various asset classes.

The next meeting is for the purpose of portfolio optimization. A portfolio will be chosen for the purpose of the modeling for the next phase of the study and a comparison will be made against current portfolio.

2. Valuation Assumptions

Andrew Kulyk took the Board through a discussion of actuarial assumptions for the December 31, 2011 valuation report (handout provided). It was noted that a discussion had already taken place with the Defined Benefit Committee. A. Kulyk indicated that the valuation assumptions took into account the valuation assumption changes that had been approved by the Board in December 2010. A. Kulyk commented on the continued decrease in bond yields (commuted value rates are at an all time low and still declining) as well as the weak investment returns of 2011. He noted that an acceptable interest range would be between 5.3% and 5.85%; he is still comfortable with staying with the rate of 5.85% and the DB Committee supports that recommendation. He recommended the elimination of the termination assumptions for the purpose of the valuation; only 25 active members remain who are under 55 and the elimination of the assumptions is not viewed as material to the results.

A. Kulyk indicated that any results are only preliminary and have not been checked, however, it is his estimate that about $380,000 in net additional annual contributions will be required starting with 2012 (retroactive to January 1, 2012). If solvency funding was required, it would mean about $10 million per annum.

It was MOVED: (Gillis/Wiegand)

> **That the December 31, 2011 actuarial valuation assumptions as recommended by the Plan Actuary and the DB Committee be accepted.**

…CARRIED

Meeting adjourned.

Chair

Secretary