The University of Winnipeg
Trusteed Pension Plan
Board of Trustees

Minutes of the ALS Meeting
Monday, October 29, 2012

ATTENDANCE:

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

Regrets: Jane Barske, Ron Youngson

Also In Attendance: Ronda Perinot (Recording Secretary), Brian White & Jeffrey King (Aon Hewitt)

The Aon Hewitt presenters guided the Board through the Portfolio Optimization meeting (handout provided).

Section 1: Purpose of the Meeting

It was noted that the purpose of the portfolio optimization meeting was for the Board to arrive at a comfort level with the optimized portfolio and to establish risk tolerance guidelines.

Section 2: Tolerances, Preferences, and Objectives

Aon Hewitt took the Board through a discussion and an assessment of the Board's tolerances, preferences and objectives in order to provide a framework for discussion. The results of the assessment were determined as follows:

Most important metric:	- Cash contributions
Cash contributions, factor to control:	- Balance of cost level and cost volatility - Worst case scenario: increases in contributions from year to year
Accounting expenses, factor to control:	- Agreed not to model accounting expenses
Pension risk preference:	- Willing to take some rewarded risks - Will look at different scenarios - Need to know that funds will be there when they are needed - Need a path that reduces risk over long term (get to 100% of fixed income at some point) - Need to take into account rational risk for COLA
Variability of risk preference based on Plan's funded status:	- Agreed that risk preference would vary
Significance of pension costs to University:	- Very significant
Significance of pension contribution rates to Plan members:	- Somewhat significant
Correlation of pension risks with other University financial risks:	- Correlated with economy due to government funding
Comfort level with investing in alternatives:	- Somewhat comfortable, but depends on specifics (want details of funds)

Comfort level with being outlier versus peers re investment policy:	-	Comfortable
Contribution policy below 100% funded:	-	Minimum required contributions
Contribution policy above 100% funded:	-	Minimum required contributions

Section 3: Efficient Frontier Analysis (portfolio optimization)

This section covered what asset mixes might be more efficient than the current asset mix and the implications of changing the mix. The various asset mix scenarios will be run on risk vs reward basis within constraints for reasonableness.

It was noted that there is a need to think more strategically; for example, is the measure of success that liabilities match assets or the portfolio performance. The answer likely lies somewhere in between. Challenge is that the plan is in a deficit position, so in the absence of a lump sum contribution, the plan needs to earn its way out of it. There needs to be a systematic process developed for moving to asset liability match (process can be date specific or based on interest rates).

It was also noted that it will need to be determined where cash flows will come from for the change in asset mix (contributions or reallocation of assets).

The optimization constraints were reviewed with respect to various asset classes. In response to the question why the allocation to mortgages is quite low (maximum 10%) it was noted that mortgages are not the right duration match if the desire is to keep up with the growth of liabilities.

It was also noted that optimization of the model portfolios depends on the assumptions that Aon Hewitt build into the models. The assumptions represent predictions and are not cast in stone.

Section 4: Next Steps

It was determined that in addition to the suggested investment strategies, an analysis will also include higher equity models (maximum 75%). The glide path would involve moving from a large proportion of growth down to fixed income as portfolio improves. It is expected that the objectives will change over time and should be examined every five years; however, any strategy should also include a longer term view. Will also need to address scenario if portfolio continues to get worse.

The investment strategy modeling will include a projection of the following measures:

- Contributions (Year-by-year cash contributions and cumulative cash contributions over forecast period)
- Elimination of expense from modeling
- Funded Status based on: Going Concern, Solvency and Market-Related
- COLA provisions

The next ALS meeting with Aon Hewitt is to take place on December 14.

Meeting Adjourned

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Chair Secretary