THE UNIVERSITY OF WINNIPEG TRUSTEED PENSION PLAN

Board of Trustees

ISSUE 3 WINTER 2010/2011

SPECIAL POINTS OF INTEREST:

- Factors to consider in Asset Allocation
- Changes to the Canada Pension Plan
- Meet the Trustees
- Using Sun Life Web Site Tools

CONTENTS:

Pension Update

Message from the Chair:

The Board of Trustees began 2010 by responding to issues which emerged as a consequence of the distribution of the Remaining Surplus Share to the Defined Benefit Plan members.

As nearly ten years have passed since the date the distribution was originally intended to take place, and many DB Plan members have left the University and in some cases have passed away, it was a significant challenge for the University's pension benefits specialists tracking down Plan members or their beneficiaries. While most have been located, some payments remain outstanding. Any surplus entitlements that remain undistributed will continue to be held in the Plan until the Plan members or their beneficiaries are found and will accrue interest.

In response to survey of Defined Contribution members, the Board has approved the considered recommendations of the Defined Contribution Committee and revamped the various DC Fund offerings. Regular education sessions continue to be provided and we welcome further suggestions from members. In addition, responding to member requests, the Board investigated the feasibility of amending the Plan to allow members to voluntarily make higher contributions to their plan. Being satisfied that there is no legal or practical impediment, the Board approved in principle amending the Plan to allow DC Plan members to make higher contributions into the Defined Contribution component. The necessary legal work is currently underway to amend the Plan so that Defined contribution Plan members have the option of contributing to their accounts to the maximum allowed by the Canada Revenue Agency regulations.

Continued on Page 6

Operations Committee:

The membership of the Board, having changed considerably in the past year, continues to be very strong in terms of experience, expertise and commitment to the Plan. The Operations Committee is continuing its efforts in the area of Board member education, particularly given the addition of new Board members.

At the end of May 2010, the long awaited amendments to the Manitoba Pension Benefits Act came into force, as reported to Plan members by the Board in October and December.

A significant number of these amendments are mandatory, such as the change in the Normal Pension Commencement Date to coincide with the date that unreduced benefits are payable from the Canada Pension Plan, which is upon attainment of age 65 (this change affects academic Plan members). Since the effective date of these amendments, the University of Winnipeg Trusteed Pension Plan is being administered as if the required amendments were already incorporated into the....

Continued on Page 3

Defined Contribution Committee:

FACTORS IN YOUR CHOICE OF ASSET ALLOCATION

The University of Winnipeg Defined Contribution component contains a number of Pools with various mandates and in various asset classes including Bonds, Canadian Equities and Foreign Equities. Confronted with this variety of choice, it is understandable that a Plan member can feel overwhelmed. The general principle behind asset allocation is that bonds are a relatively stable asset class while equities are generally more volatile in returns and value. For this reason, in general, the more bond exposure that you choose, the more stable will be the value of your investments. However, bonds generally have a much lower rate of return than equities, particularly over longer time horizons. Equities on the other hand, while more volatile in return and value, have historically generated higher long-term rates of return and therefore the more equity exposure you choose, the higher return can generally be expected over longer periods of time. The Balanced pools have exposure to both bonds and equities.

There are risks to consider in allocating assets to Bonds. Bonds generally fall in value at times of rising interest rate expectations, and if Bond returns are low during times of higher inflation, portfolio values may not keep pace, with the result that your portfolio loses purchasing power.

Because equities have less certainty of a positive return in the short term and have historically only demonstrated high probabilities of higher positive returns in the longer term, some consideration should be given to the length of time until the portfolio is required to provide meaningful income. The longer time that is available, the more exposure to equities may be tolerated. If less time is available, then consideration should be given to reducing the exposure to equities. By short-term, investment analysts usually mean horizons of 1 – 3 years, and long-term generally refers to a time horizon of 10 years or more. Of course, all of your plan assets will not be needed for income at the date you retire, and it is likely that only the first few years of income would need to be in relatively safe asset classes, while some of your investments will be required to support income needs well into the future. For that portion, long-term expectations may still apply. Conceptually, a "rolling" approach to investing might be considered, where investments are moved from "aggressive" asset classes such as equities, into more conservative asset classes such as GICs or bonds as income years approach.

Canadian equity pools include shares in Canadian companies including most sectors of the Canadian economy. Some pools may also include some shares of foreign companies. To the extent that Canadian companies participate in foreign activity, ownership of Canadian pools will benefit from that foreign activity. If you feel that you wish increased exposure to foreign activity, or to sectors that have a lower presence in the Canadian economy, you may wish to add more ownership in foreign equity pools. However, remember that returns on foreign investments will generally suffer if the Canadian dollar were to strengthen relative to foreign currencies. Generally, most Canadian investors focus on their returns in Canadian dollars, since that is the primary currency they will require when taking income from their portfolio. If, however, you have an expected need for primarily foreign currency when taking income from your portfolio, foreign equities may provide some protection in the event that the Canadian dollar declines against other currencies during the life of the portfolio.

Value and growth are the two primary "styles" of security selection used in managing equity portfolios. Value investing focuses on equities with lower valuations and modest growth expectations, and growth investing is focused on companies with higher growth expectations, but generally higher valuations.

While opinions vary as to which style has superior performance, there are times where one style will do better than the other. The pools in the Plan usually have some elements of both styles, but may have a bias towards either the Value or Growth style.

Defined Benefit Committee:

Over the past year, the Defined Benefit Committee has been examining alternative investment options that may be more appropriate to a plan that is closed to new members. The challenge of transitioning to an investment strategy that is more closely aligned with growing liabilities, a steadily declining active member base as well as the under funded position of the Defined Benefit component will be at the forefront of the Defined Benefit Committee's focus for the foreseeable future.

The Defined Benefit Fund has continued to build on the significant gains in its value thus far in 2010. The returns on the DB component of the plan were 17.37% in 2009, which largely recouped the significant losses that occurred in 2008.

As of September 30, 2010 the investments in the Defined Benefit component of the Pension Plan had returned a further 6.51% over the nine months of 2010, largely as a result of two of the DB Fund managers performing better than their benchmarks for the period.

Changes to the Canada Pension Plan

January 1, 2011 marks the start of a gradual, six-year process, to implement changes to the Canada Pension Plan. The changes to the CPP may affect how and when plan members choose to retire and when they decide to apply for a CPP retirement pension.

Key highlights to the changes to the CPP include:

- Changes to the adjustment factors for early and late receipt of CPP pension that will result in a greater reduction for the commencement of CPP pension prior to age 65 and a greater enhancement for the commencement of CPP pension after age 65 starting in 2012.
- Changes to the drop-out provision. In 2012 the number of years of low or no earnings that are automatically dropped from the calculation of CPP pension will increase from a maximum of 7 to 7.5 years. This will be further increased to a maximum of 8 years in 2014.
- Elimination of the Work Cessation Test. Starting in 2012, an individual may begin receiving their CPP pension without any work interruption
- Introduction of Post-Retirement Benefit. Starting in 2012, if an individual is receiving a CPP pension and they choose to work, they may continue to make CPP contributions that will increase their payments.

For more information on how you may be affected by the changes to the CPP, please go to:

http://www.servicecanada.gc.ca/eng/isp/cpp/cpptoc.shtml

Operations Committee:

Continued from Page 1

incorporated into the Plan. However, the Board has until the end of 2011 to actually amend the Plan to reflect these changes. To view all the required amendments that affect Plan members, go to:

http://www.uwinnipeg.ca/index/cms-filesystem-action/hr-docs/hr-benefits/trustees/pba_notice_2010.pdf

In addition to the mandatory amendments, a number of optional PBA amendments were enacted. The Board will be examining these amendments in 2011 to determine their potential impact on the Plan and Plan members and whether it would be desirable to incorporate any of these optional amendments into the Plan.

Meet the Trustees:

For the University:

Michael Emslie is the Controller and Executive Director with Financial Services Administration

Valerie Gilroy is the General Counsel & Corporate Secretary

Laurel Repski is the Vice-President (Human Resources, Audit & Sustainability)

For the Excluded Employees:

Mary Anne Walls is the University's Benefits Administrator

For the UWFA:

Murray Wiegand is a Professor in Biology

Hans Werner is a Professor in History, Mennonite Studies

Karen Zoppa is an Instructor in Humanities at the University of Winnipeg Collegiate, and has served as UWFA Treasurer and CAUT Defense Fund Trustee for over 10 years

For the IUOE:

David Torz, is a Power Engineer in the Physical Plant Department

For the AESES:

Barry Barske is a retired Support employee from the Department of Psychology

Greg Gillis is an actuary and CFA Charterholder with extensive pension consulting and investment experience. In his role at Lawton Partners he provides services to a number of public and private sector organizations as well as personal financial planning and investment services to individuals and businesses.

For the University of Winnipeg Retirees Association (UWRA):

Brent Stearns is a retired Professor of Philosophy

Jane Barske is a retired Support employee from the University Library

External Trustees:

Ray Erb is a retired Staff Representative and Pensions & Benefits Specialist from the Manitoba Government and General Employee's Union where he was employed for 35 years. For the last ten years he continues to serve as a member of the Civil Service Superannuation Board and the Health Employees Pension Plan.

Henry Hudek, MBA, CFA, is the Vice-President, Business Development with Cardinal Capital Investment working directly with the Cardinal advisor network, supporting referring advisors and their clients within Manitoba and across Western Canada.

Ron Youngson is the Director of Group Retirement for Onyx Financial Group, responsible for all phases of new case establishment, including plan design, investment menu selection, member communication and education.

Board Executive and Board Committees:

Board Executive:

- Karen Zoppa - Chair
- Henry Hudek - Vice-Chair
- Mike Emslie - Treasurer
- Mary Anne Walls - Secretary

Operations Committee:

- Mary Anne Walls - Chair
- Jane Barske
- Barry Barske
- Mike Emslie
- Karen Zoppa

Defined Benefit Committee:

- Greg Gillis - Chair
- Barry Barske
- Mike Emslie
- Brent Stearns
- Dave Torz
- Ray Erb
- Murray Wiegand

Defined Contribution Committee:

- Henry Hudek - Chair
- Ron Youngson
- Valerie Gilroy
- Laurel Repski
- Hans Werner

"The Board membership ….. continues to be very strong in terms of experience, expertise and commitment to the Plan."

Message from the Chair:

Continued from Page 1

Early in 2011 work will commence on the next triennial actuarial valuation of the Plan which must be done as at December 31, 2010. The first stage of preparing for the valuation is the review and approval of the actuarial assumptions to be used in the valuation which is expected to be done at the next meeting of the Board. As always, we encourage all Plan members to keep abreast of news, Board activities and education opportunities by visiting the following web pages at:

http://www.uwinnipeg.ca/index/hr-benefits-pension-trustees — Board of Trustees

http://www.uwinnipeg.ca/index/hr-benefits-pension — Pension Plan

Karen Zoppa, Chair

Defined Contribution Committee:

Continued from Page 2

It is likely that your portfolio with the University of Winnipeg Trusteed Pension Plan does not represent your total wealth. Other investments in RRSPs, bank accounts and real assets such as house, cottage or collectibles should also be considered in planning your financial needs, and in Canada, Canada Pension Plan and Old Age Security are also generally available to Canadians in retirement. Each of these elements should be considered when choosing how to allocate your assets within the Plan.

USING THE SUN LIFE WEB SITE TOOLS www.mysunlife.ca

The Sun Life website is a tool that University of Winnipeg DC Plan members should visit often. The website offers basic, but helpful tools to help you become informed about the role your DC Plan will play in your financial future when the day of retirement comes, no matter how far away that day may seem today.

After you log in and arrive at the page where your current fund balance is displayed, click on the Plan to get to a page with a number of tabs. Click the "Resource Centre" tab, and then the "**my money tools**" link. You will find two basic tools: Asset Allocation and a Retirement Planner (you may have to click on the Tools link to access both tools). You should begin with the Asset Allocation tool because its results will be used for the Retirement Planner. The Asset Allocation tool takes you through two basic approaches to determine what funds you should be choosing for your portfolio.

One approach is risk based. Here you are asked a number of questions in order to determine your sensitivity to risk. When answering the questions, consider how you feel when markets have taken a dramatic downturn, and all around you people are saying the 'sky is falling'. Based on your answers, the calculator will tell you how your present investment choices match up with your sensitivity to risk. These results offer some sense of how you might choose your investments from those provided under the Plan, particularly if you have made no active choice and are invested in the default fund.

The other approach suggests funds you should be invested in based on the time remaining until your retirement. Here the approach chooses funds based on their mix of investments whose maturities match your retirement horizon.

The results from the Asset Allocation tool are used in the Retirement Planner tool. Although somewhat simple and hence hardly a definitive answer, the Retirement Planner begins the process of helping you determine whether your assets are likely to be sufficient to fund the lifestyle you envision for your retirement. The choices here are, of course, highly speculative, but the calculator's fundamental assumption is that you will need between sixty and eighty percent of your pre-retirement income to sustain the lifestyle "to which you have been accustomed" as the saying goes. If you are close to retirement and have other kinds of assets, such as property, or mixed DB, DC and RRSP assets, the planner will be inadequate. However, if you are just beginning to think about that day when working at the University will not be on the day's agenda, it is not a bad place to begin. And remember, retirement savings is considered multi pronged, consisting of: employer pension plan, government pensions and private savings.