THE UNIVERSITY OF WINNIPEG TRUSTEED PENSION PLAN

BOARD OF TRUSTEES

ISSUE 4 WINTER 2011/2012

SPECIAL POINTS OF INTEREST

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MESSAGE FROM THE CHAIR

The year 2011 was a difficult one for investors. After an initial burst of optimism, equity markets in general sank into the miasma of despair generated by a deteriorating situation in Europe. Members of our DC Plan should not be trapped into thinking that this is normal for equity markets. Historically they have gone up far more often than they go down, and have generated a return premium to bonds or cash. Longer term returns from equities are likely to be higher than those from bonds or cash.

For the Defined Benefit component of the Plan, the market situation was aggravated by severe declines in bond yields as fearful investors fled many markets and jumped into bonds, driving down yields. Since the current value of the future liabilities of the Plan is calculated using bond yields, the liabilities grew in value substantially. Further, our actuaries recommended a number of changes to the assumptions in regard to the Plan, in particular recognizing that our members are likely to live significantly longer than the general population, and that both are living longer than they used to. At the request of the University, another actuarial firm was also solicited to review our actuary's assumptions and some of their suggestions have been incorporated into the actuarial valuation of our Plan. The end result is that the University, as Plan Sponsor, will be required to make significant additional contributions to the Plan going forward.

If, or when, inflation starts to pick up, interest rates are likely to rise, to some extent reversing the trend we have seen in liabilities. As investor jitters diminish and politicians muddle through the European situation, equity markets are likely to better reflect the real value in many companies who have been increasing earnings and rebuilding balance sheets since the crisis of 2008. Worries about an economic slowdown caused by European retrenchment and a slowing of growth in China may act as brakes on future enthusiasm.

Your Board continues to monitor the investment strategy in the DB component and the Investment Managers available to you in the DC component and expects that the Plan will continue to be an effective and competitive avenue for you to build retirement income.

Henry Hudek, CFA

Your Pension — Only Part of Your Retirement Plan

In previous generations, Canadians with an employer-sponsored pension plan generally found that their company plan, when combined with income from personal savings, provided them with a comfortable retirement income. This was for the most part due to a combination of longer working careers and more modest income expectations in retirement than today.

As Canadians enjoy better health and find themselves in retirement for longer periods (both due to living longer and in many cases retiring earlier), they are finding, often after the fact, that the gap between required income in retirement and the income available from pensions and personal savings is widening. Trends leading to this widening gap include:

- More active lifestyle in retirement – we're not spending our days in the garden like our parents or grandparents did.
- We're starting our careers later and in some cases retiring earlier – giving us less time to save our nest-eggs for retirement.

Governments have introduced tax-efficient savings vehicles such as RRSPs and more recently Tax-Free Savings Accounts (TFSA) as a means to encourage additional savings to support the development of adequate incomes in retirement, for those either with or without a company pension plan.

Your pension alone may not be sufficient and should not be counted on to provide the same portion of your retirement income as a company pension plan did for previous generations.

The current RRSP rules permit Canadians to save 18% of their employment earnings (subject to an earnings limit - approximately $130,000 currently). This 18% limit was broadly designed to permit an individual who is not in a company pension plan to amass over a 35 year career, sufficient savings to replicate the defined benefit pension provided to Federal Public Servants.

At the University of Winnipeg, members of the DC component are currently contributing between 4.2% and 6% of their income and this is being matched by the University, for a total of between 8.4% and 12% of income. The DB component does provide a guaranteed monthly benefit that is not dissimilar to the Public Service plan, although not with some of its more generous features.

However, many of us are not saving for the entire 35 years that was used as a benchmark for the new RRSP rules and for many DB pension plans, and we should remember that the 35 year guideline was developed at a time when life expectancies were much shorter than they are today.

The result is that for many Canadians, actual retirement funds are less than desired.

The message to members should be clear. The potential pensions that may be provided from contributions by DC component members and the DB pension to DB component members will represent a key part of your overall retirement savings strategy. However, your pension alone may not be sufficient and should not be counted on to provide the same portion of your retirement income as a company pension plan did for previous generations.

To supplement that pension, additional savings are very likely required.

It should be noted that UofW employees have access to an RRSP at Sun Life which includes the full suite of investment funds available in the DC plan. The overall management expense on these funds is materially lower than those available on many other investment funds. Sun Life's website also contains tools that help you calculate the future value of an investment strategy under various assumptions.

You are strongly encouraged to spend some time considering your expectations for retirement, the costs of meeting those expectations, and calculating how much extra saving you might need to do in order to provide for those costs.

Your own retirement is your own responsibility.

The University of Winnipeg Trusteed Pension Plan — The Role of a Trustee —

The University of Winnipeg Pension Plan is called a Trusteed Plan because it is governed independently of the University and its bargaining units. The Trustees are the people who provide not only oversight and guidance to the Plan, but are in fact, the people who make many decisions about how the Plan will be managed and are in effect the 'owners' of the Plan. In the case of the University of Winnipeg the Trustees are appointed by stakeholders, which include the bargaining units: UWFA, AESES, IUOE; the Retirees Association, the University Administration, and external Trustees who are chosen by the rest of the Board.

Even though stakeholder groups appoint members to the Board of Trustees, Trustees are required to "exercise the care, diligence and skill… that an individual of ordinary prudence would exercise in dealing with the property of another Person," as the Trust Agreement puts it. In all dealings with the Plan, a Trustee must work only on behalf of Plan members, and must subordinate the interests of the Stakeholder they represent to those of the Plan.

The Board of Trustees manages all aspects of the Plan on behalf of members with some notable exceptions. Firstly, the Trustees are obligated to follow provincial and federal legislation in the form of the Manitoba Pension Benefits Act and the Income Tax Act and the accompanying regulations. Secondly, the Trustees are obligated to implement changes to the regular member and University contributions to the Plan as well as eligibility provisions that have been negotiated by the respective bargaining units and the University. The only exception to this is if implementing such changes would violate applicable Pension legislation. Thirdly, the Trustees cannot make any Plan amendments that would increase the costs for any Stakeholder, including increased contributions outside of bargaining, without the express written consent of that Stakeholder.

Legislation, investment policies, actuarial considerations, benefits administration and many other aspects of the Pension Plan are all highly complex issues and the Board is constantly working at maintaining individual Trustee's knowledge so that the very best practices are in place and sound decisions are made on behalf of Plan members.

Hans Werner
Chair, Operations Committee

DB Committee Report

Now that the unusual issues of the past couple of years appear to be behind us, the DB Committee is focusing its attention on reviewing the investment strategy for the DB component of the Plan. To that end the DB Committee has started a process to engage a consultant to review the long-term objectives of the DB component and the suitability of our current investment managers, and recommend alternative strategies to improve the management of the DB assets in the future.

This process will include an analysis of the cash flow requirements from the Plan in coming years and involve developing an investment policy which will balance risk and return in meeting those requirements. The revised policy and review of current managers may result in changes to the current asset mix and managers. The regular review of the policy and performance of investment managers forms part of the ongoing governance responsibilities for the Plan.

As a result of the work we will be doing in 2012, the Board of Trustees will gain a greater understanding of the interaction of the DB component's assets with its emerging liabilities, and have more tools to address the future funding and financial risks inherent in the DB component. The DB Committee will inform the Plan stakeholders and Plan members of progress as the process moves along.

Greg Gillis (Chair)

DEFINED CONTRIBUTION FUND FEES

In the fall of 2010, Defined Contribution Plan members were advised of upcoming investment fund changes under the DC component of the Plan. One of the member communications explained changes in how Sun Life has changed the method of reporting fees applicable to the operation of the Plan.

Plan members may not have fully appreciated the implications of the change until they actually saw the fees reported on their member statements.

It is important to note, that the costs of operating the Plan have not changed—the change is only a difference in reporting.

In the past, the fees of operating the Plan were netted out of the rate of return on the various investment funds, so specific information as to the cost of operating the Plan were not reflected on member statements.

With the change in reporting, the fees are now disclosed as a dollar amount on your statements.

You are paying the same amount in fees, but now you can clearly see how much you are paying.

Although Sun Life Financial previously disclosed the fees charged for the operation of the Plan on the website and on your December member statement, you never actually saw the dollar value of the transaction on your account.

In the interests of better disclosure, the University asked Sun Life to change the way fees are charged and reported to you. Now, instead of your unit value being reduced by the amount of the fee, which you may not have noticed, there is a transaction each month where you can actually see the dollar amount of the fees charged against your account value.

For a more in depth explanation of your Fund fees,
please go to
http://www.uwinnipeg.ca/index/cms-filesystem-action/hr-docs/hr-benefits/pension_plan/dc_fee_explanation_long.pdf

Should you have any questions about what the fees are
and how they are determined,
please contact Mary Anne Walls at m.walls@uwinnipeg.ca

Defined Contribution Committee Report

Over the past year the DC Committee finalized the review of the fund menu available to members. This review was conducted in conjunction with Sun Life. As a result of that review several funds were deleted (for reasons of underutilization, under performance or manager/mandate changes). Education sessions explaining the changes were held in late January. The Committee continues to work with Sun Life in monitoring the fund menu and may recommend further refinements during 2012.

All DC members should review their asset allocations, at least annually, to make sure their directions are still appropriate for their circumstances and risk tolerance levels. There are many great tools to help you with this process and other retirement planning matters on the Sun Life member web site at www.mysunlife.ca — we encourage you to avail yourself of these tools.

The Committee also reviewed the assets allocated to the "default investment selection". Many of you may have made a conscious choice to be in the default fund but many of you may have simply done nothing. A reminder regarding the default fund is captured in the notice below.

Further, Sun Life has changed the method of reporting the fees charged for the operation of the Plan and the Committee has received numerous inquiries about this. A brief explanation regarding this change is highlighted on page 4 "Defined Contribution Fund Fees".

Ron Youngson (Chair)

ATTENTION ALL DC MEMBERS

MEMBER INVESTMENT ALLOCATION

Each year, the Defined Contribution Committee of the Board of Trustees reviews the investment holdings and asset allocation of the Defined Contribution component of the Plan.

The most recent investment review shows a significant amount of assets invested in the current Default Fund (Target Date Fund) as well as the previous default investment choice (TDAM Balanced Index Fund). In fact, as at December 31, 2011, the combined investments in these funds comprise 49% of the total DC Plan assets.

The Target Date Fund as well as the TDAM Balanced Index Fund, represent two investment choices out of a sizable fund lineup. While there may be good reasons to have assets invested in these two funds, you should not assume that a designated Default Fund will best suit your circumstances since everyone's situation is unique.

It is important that your investment selection is made based on a conscious pro-active decision on your part and not simply because "I don't have the time", "I just can't be bothered" or "I don't have enough knowledge to make an informed choice" so "I will just let my assets be invested in the Default Fund".

We encourage each one of you to take a moment to regularly review your investment profile and your investment allocation to make sure it is appropriate for you and your retirement goals. We also strongly encourage you to participate in any education offerings.

Upcoming Sun Life education sessions specifically tailored to DC Plan members will be conducted in January/February 2012 and will include the following four sessions: new member information, investment education, getting the most out of your Sun Life web tools, as well as pre-retirement planning.

Should you have any questions about your fund options or if you wish to make a change in your investments, please call the Sun Life Customer Care Centre at 1-866-733-8612.

MEET THE TRUSTEES

For the Association of Employees Supporting Education Services (AESES):

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

Greg Gillis is an actuary and CFA Charter holder 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 International Union of Operating Engineers (IUOE):

Kyle MacDonald, is a Controls Technician in the Physical Plant Department

For the University:

Michael Emslie is the Associate Vice-President (Finance) & Comptroller

General Counsel & Corporate Secretary—Currently Vacant

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

For the University of Winnipeg Excluded Employees:

Mary Anne Walls is the University's Manager, Campus Health & Wellness

For the University of Winnipeg Faculty Association (UWFA):

Murray Wiegand is a Professor in Biology

Hans Werner is a Professor in History, Mennonite Studies

Ed Byard is a Professor in Biology

For the University of Winnipeg Retirees Association (UWRA):

Jane Barske is a retired Support employee from the University Library

Judy Graham is a retired Support employee from Student Services

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:

- Henry Hudek (Chair)
- Laurel Repski (Vice-Chair)
- Mike Emslie (Treasurer)
- Mary Anne Walls (Secretary)

Operations Committee:

- Hans Werner (Chair)
- Jane Barske
- Ed Byard
- Mike Emslie
- Henry Hudek

Defined Benefit Committee:

- Greg Gillis (Chair)
- Barry Barske
- Mike Emslie
- Ray Erb
- Judy Graham
- Murray Wiegand

Defined Contribution Committee:

- Ron Youngson (Chair)
- Vacant position
- Kyle MacDonald
- Laurel Repski
- Mary Anne Walls

"The Board expects that the Plan will continue to be an effective and competitive avenue for you to build retirement income."

Standing (L-R): Ron Youngson, Ray Erb, Kyle MacDonald, Murray Wiegand, Hans Werner, Henry Hudek, Mary Anne Walls, Jane Barske
Seated (L-R): Greg Gillis, Judy Graham, Barry Barske, Laurel Repski, Valerie Gilroy, Mike Emslie
Missing: Ed Byard