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Date: May 31, 2009
To: Pension Governance File
From: George Luste, UTFA President
Subject: University of Winnipeg's new Pension Governance Structure

The University of Winnipeg recently made the transition –

- (i) from a conventional DB plan where the University was both the Sponsor and Administrator of the DB plan -
- (ii) to a new pension governance structure where a new and independent Board of Trustees became the Administrator of the new pension structure at the U of Winnipeg while the University remained the Sponsor and retained responsibility for earned pension benefits.

On May 27 Reni Chang and I spent about 30 minutes on the telephone with the President of the U of Winnipeg Faculty Association, Professor Kristine Hansen:
Attached is Reni Chang's brief summary of our understanding of their transition to a new pension governance structure.

The following University of Winnipeg websites have further links to documents and information regarding their new pension plan governance:

<http://www.uwinnipeg.ca/index/hr-benefits-pension-home>
<http://www.uwinnipeg.ca/index/hr-benefits-pension-trustees#Education>

The second attachment contains selected information from these websites.

Summary

1. The University of Winnipeg Trusteed Pension Plan (the “UW Plan”) is an example of a defined benefit plan that made the transition from being administered by a sponsor-controlled body to an independent and jointly-trusteed body.
2. In July 2008, the UW Plan’s current Board of Trustees (the “UW Board of Trustees”) took over the administration of the UW Plan from the Board of Regents of the University of Winnipeg. The UW Board of Trustees is the plan administrator and is responsible for all aspects of the operation and administration of the UW Plan and the Pension Trust Fund. (Tab 5)

Comparison to UTFA Proposal

3. The governance structure of the UW Plan is similar to UTFA’s proposal in the following ways:
 - Independent plan administrator. (Page 41 of Tab 2)
 - At least equal representation of plan members on board of trustees. (Page 12 of Tab 3)
 - University administration remains as sponsor but has the safeguard of a veto over decisions that affect their funding obligations. (Page 17 of Tab 2 and Page 34 of Tab 3)
 - Impetus for transition arose from mismanaged conflict of interest caused by the university administration wearing “two hats” – as employer and administrator. (Page 11 of Tab 7)

Composition of the UW Board of Trustees

4. All stakeholders, faculty, staff and pensioners, are represented on the UW Board of Trustees. (Page 12 of Tab 3)
5. The UW Board of Trustees is composed as follows:
 - 4 university appointees (minority)
 - 3 UW Faculty Association appointees
 - 3 staff union appointees
 - 2 retiree appointees
 - 3 externals appointed by the other stakeholder appointees
6. Although the UW Administration has a minority on the UW Board of Trustees, it is protected by a veto. The UW Board of Trustees cannot make any changes to the

UW Plan that would increase the contributions required of the UW Administration without the consent of the UW Administration. (Page 34 of Tab 3)

Risk Sharing

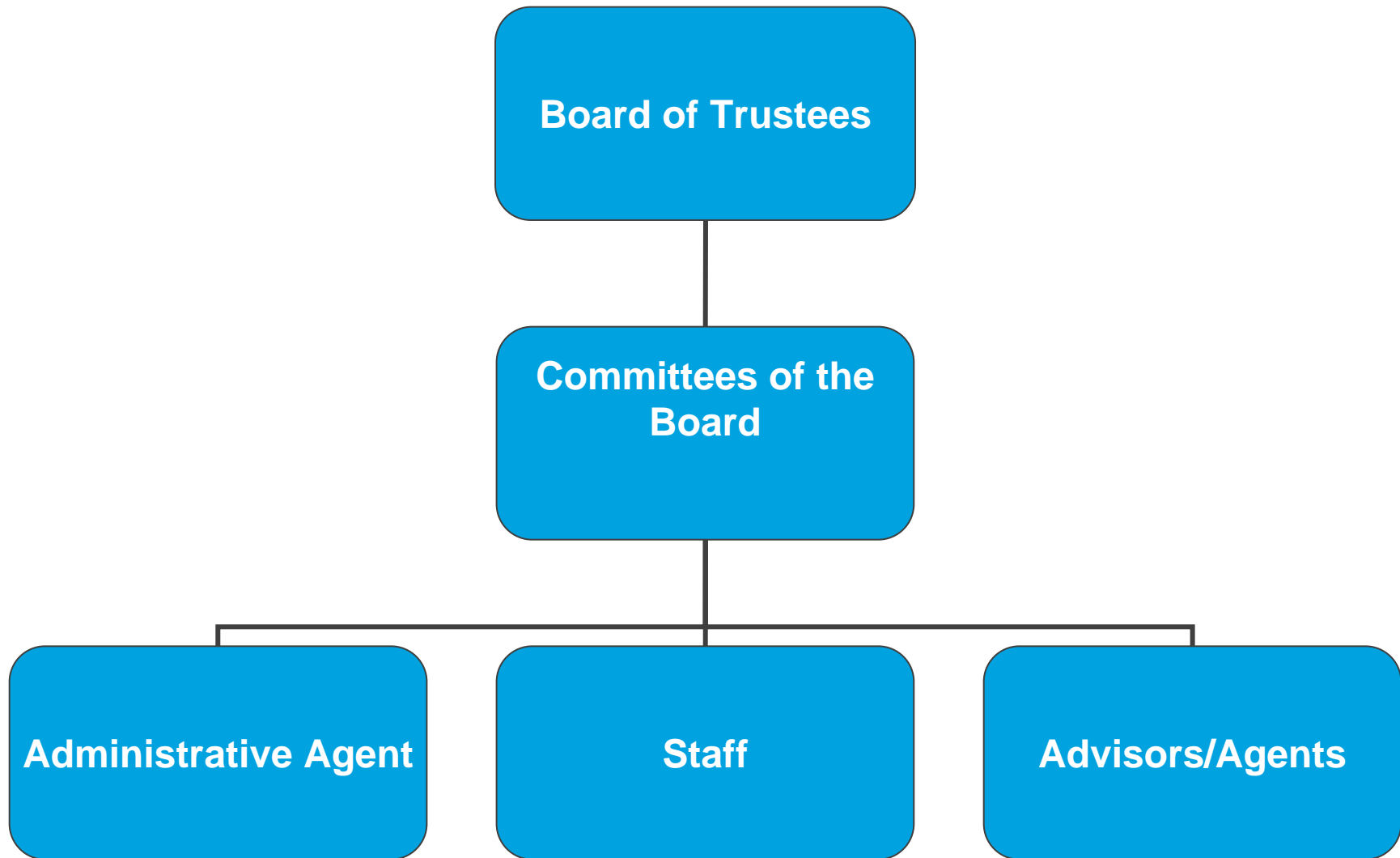
7. The UW Administration continues to act as plan sponsor and continues to be responsible for the pre-July 2008 legacy liability as well as any future going-concern or solvency deficit. (Page 17 of Tab 2)
8. Although the UW Administration is responsible to pay any deficit in the event of a wind-up, plan members are exposed to the risk that the UW Administration will not have the funds to make such payments when and if required. This risk increased when the University Pension Plans Exemption Regulation (Regulation 141/2007) permanently exempted the UW Administration from making solvency payments. (Page 10 of Tab 9)

Conflict of Interest of UW Administration

9. As a result of complaints filed at the Manitoba Pension Commission, the Superintendent of Pensions in Manitoba ordered the UW Administration to develop and implement a new governance framework. Although the actions of the UW Administration had not violated the Manitoba Pension Benefits Act, the Superintendent found that the UW Administration had not fulfilled its duty of care to plan members because it had mismanaged its dual role as sponsor and plan administrator. (Page 1 of Tab 7) This order was part of the events that led to the establishment of the UW Board of Trustees which is now independent and under joint-control.
10. In particular, the Superintendent found that the UW Administration had not been clear about when it was wearing which “hat.” The evidence showed that the Board of Regents had been in conflict and had been uncertain of its role. (Page 13 of Tab 7) The Superintendent’s decision emphasized the importance of sound governance structures and processes. She wrote that good governance not only contributes to positive plan performance, but also promotes the administration of the plan in the best interests of members and beneficiaries. (Page 13 of Tab 7)
11. The UW Board of Trustees is now independent. Independence allows it to clearly distinguish itself from the UW and discourages it from identifying primarily with the business affairs of the UW.
12. As the product of a long battle over governance, the members of the new UW Board of Trustees have taken action to clearly inform themselves of their fiduciary duty to act in the best interests of plan members. For example, they organized an education session on pension governance that highlighted the fiduciary duty. (Pages 9-11 of Tab 6)

13. The composition of the board to include all stakeholders is also critical to good governance. It manages conflict of interest by ensuring that all stakeholder interests are represented and debated at the table.

Pension Governance Structure



University of Winnipeg Trusteed Pension Plan

Plan Overview

- Trusteed Plan
- Defined Benefit and Defined Contribution
- Academic and non-academic provisions

University of Winnipeg Trusteed Pension Plan

Plan Overview

- Plan operation is in the hands of the Board of Trustees
- Representation by all parties (plan members, pensioners and University)
- *“...All decisions, except those that would cause an increase in the university’s contribution rate, would be made by the Board of Trustees...”*

Duties of the Board of Trustees:

- Trustees are responsible for the following:
 - Administration of the Plan
 - Interpret Plan rules
 - Maintain the records
 - Ensure benefits paid in accordance with Plan text
 - Ensure costs and expenses paid are reasonable and appropriate
 - Keep separate accounts for DB and DC components
 - Ensure University and employee contributions are paid

Duties of the Board of Trustees:

- Trustees are responsible for the following:
 - Reporting and regulatory compliance
 - Investment of the Pension Fund
 - Establish the investment policy and asset mix
 - Review the SIPP
 - Monitor compliance
 - Appointment and supervision of advisors or agents
 - Investment managers
 - Actuary
 - Auditor
 - Administrative agent
 - Employee communications

What is a Fiduciary Relationship?

“The essence of a fiduciary relationship...is that one party exercises power on behalf of another and pledges himself or herself to act in the best interests of the other”.

Chief Justice Beverley McLachlan

- Concept of a fiduciary found in common law and in statute (eg. pension legislation)

Board of Trustees

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SPECIAL POINTS OF INTEREST:

- Transition to a Board of Trustees is complete
- The Board has a full slate of Trustees
- Committees of the Board have been established
- Meet the Trustees

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Pension Update

Message from the Chair:

Meet your new Pension Plan Trustees!

On July 8, 2008 the responsibility for the University of Winnipeg Trusteed Pension Plan officially passed into the hands of the Trustees. Even before the official transfer occurred, your Trustees undertook a course of education regarding all aspects of pension plan governance.

While the education is on-going, there is considerable pension expertise among the Trustees, as you can see from their accompanying descriptions. The administrative experience of the University of Winnipeg appointees, along with the detailed involvement of the AESSES, IUOE, UWFA and UWRA appointees in the process of implementing the Trusteed Plan and the Trust Agreement, has made the transition seamless. In addition, we have depth and breadth of investment, actuarial and pension expertise among our external trustees. I have confidence in the ability and commitment of

Message from the Treasurer:

Defined Benefit Component

Some members of the Defined Benefit component of the University of Winnipeg Trusteed Pension Plan have recently expressed concern about its viability given the present declines in market values of various stocks and bonds. Newspapers regularly carry articles about the resulting impact these recent declines are having on defined benefit pension plans.

this Board to steward both the Defined Benefit and Defined Contribution components of this Plan with prudence and skill.

Having established our internal committees, we are reviewing both components of the Plan with regard to their particular needs. In the new year, the Board will meet with the Defined Benefit component investment managers to review the current status of the Plan. We will also review the funds on offer to Defined Contribution members to determine if changes are required. It is our intention to communicate these findings, as well as many other aspects of the Plan of concern to members in a timely and responsive manner. Please feel free to contact me or the Board Secretary, Mary Anne Walls, with any questions or concerns.

Karen Zoppa, Chair,
The University of Winnipeg
Trusteed Pension Plan Board

It is true that the Plan's assets are not immune to the market decline. On the other hand, the Defined Benefit component of the Plan has a large segment of bonds which are not heavily affected by the present market declines. Moreover, your Plan does not include large holdings of problematic American investment banks and insurance companies whose problems we have all read about recently. The overall portfolio consists of many blue-chip equities, foreign and domestic, which have a recognized history of

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Meet the Trustees:

For the University:

Bill Balan is the Vice-President (Finance and Administration).

Valerie Gilroy is the General Counsel & Corporate Secretary.

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

For Excluded Employees:

Mary Anne Walls is the Benefits Administrator and has served on the University of Winnipeg Pension Committee and various sub-committees of the Pension Committee when the University was the Administrator of the Pension Plan.

For the UWFA:

Jim Clark is a Professor in the Department of Psychology.

Wendy Josephson is a Professor in the Department of Psychology, and a UWFA member since it was certified as a bargaining unit in 1981.

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 technician in the Department of Psychology. He has served on the AESES Pension Advisory Committee since 1990. He was a member of the Governance sub-committee that drafted the Trust Agreement and served as a member of the Pension Committee and the Defined Benefit sub-committee when the University was the Administrator of the Pension Plan.

Greg Gillis is a fully qualified actuary and CFA Charterholder with extensive pension consulting and investment experience. In his role at Lawton Partners he provides these 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.

Maurice Mearon is a self employed chartered accountant and a graduate of the University of Winnipeg. His practice includes client work for a private investment company and he is very active in Canadian and foreign markets.

External Trustees:

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

Henry Hudek CFA, is a former President and Director of Research for IQON Financial Inc., and is currently the Director of Research for Value Partners Investments where he monitors and evaluates a stable of portfolio managers focused on a value-oriented dividend growth investment strategy.

Gary Maksymyk is the Manager of Human Resource Services at Manitoba Hydro. He is a former Chair of the Board of Trustees for the United Way Pension and Benefits Plans and the current Chair of the Pension Advisory Group at Manitoba Hydro.

Board Executive and Board Committees:

Board Executive:

- Karen Zoppa - Chair
- Henry Hudek - Vice-Chair
- Maurice Mearon - Treasurer
- Mary Anne Walls - Secretary

Defined Benefit Committee:

- Barry Barske
- Greg Gillis
- Gary Maksymyk
- Brent Stearns
- Dave Torz
- Mary Anne Walls

“I have confidence in the ability and commitment of this Board to steward both the Defined Benefit and Defined Contribution components of this Plan with prudence and skill”

Karen Zoppa
Chair

Operations Committee:

- Karen Zoppa
- Laurel Repski
- Barry Barske
- Jim Clark
- Maurice Mearon

Defined Contribution Committee:

- Bill Balan
- Ray Erb
- Valerie Gilroy
- Henry Hudek
- Wendy Josephson

Message from the Treasurer:

Continued from Page 1

sustaining their viability even during a severe recession.

The new Board of Trustees includes external professional expertise on managing long-term investments, particularly related to pension plans. We are monitoring Plan investment performance and will continue to keep you as Plan members informed and aware of our actions in this regard.

In closing, it is important to keep in mind that your pension entitlement under the Defined Benefit component of the Plan is not affected by the asset performance. The members and the University contribute to the Defined Benefit Plan based on recommendations by the Plan actuary to ensure that there are sufficient assets available to pay for all future benefits. The next actuarial valuation of the Plan is required no later than December 31, 2010. If at that time, the Pension Plan actuary indicates that there are increased contributions necessary to adequately fund the Plan benefits, pension legislation requires that the University ensure those additional contributions are made.

Defined Contribution Component

The Board of Trustees will be reviewing the effectiveness of the current investment options for Defined Contribution members to ensure that members continue to have access to the breadth of investment pools that allow individual members investment choice at varying levels of financial risk, and that the pools available are performing at appropriate levels given the financial environment.

Maurice Mearon, Treasurer
The University of Winnipeg
Trusted Pension Plan Board