

THE UNIVERSITY OF WINNIPEG
TRUSTEED PENSION PLAN
BOARD OF TRUSTEES

Minutes of the Meeting of
Monday September 18, 2023

ATTENDANCE:

Present: Lorne Hilton (Chair), Colin Morrison (Vice Chair), Navinder Basra (Treasurer), James Townsend, Andrew Bendor-Samuel, Murray Wiegand, Ron Youngson, Sheila Wilson-Kowal, Joan Duesterdiek, Mary Anne Walls, Brian Schlag, Greg Gillis, Bryan Ward, Debbie Mortimer, Gina Schiak

Regrets: All are present

Recording Secretary: Claire Hince

1. Approval of Agenda

MOVED: (A.Bendor-Samuel/M.Wiegand)

That the Agenda be adopted as presented with the addition of the Election of a Secretary in Item 6 Other Business

...CARRIED.

2. Approval of Minutes from June 12,2023

The minutes were not posted in the correct folder and will be adopted at the December meeting.

3. Report from DB Committee

a. Committee Chair (M. Wiegand)

N. Basra has been nominated as the new Chair of the DB Committee

b. Actuarial Valuation Report

The Actuarial Report effective December 31,2022 was provided by A. Kulyk from Eckler and went over the draft DB valuation in detail, he reported on the Going Concern Valuation and the Solvency Valuation. The assets and liabilities are calculated slightly differently for the 2 valuations.

The going concern ratio of assets to liabilities is used to determine the recommended asset mix as per our statement of investment policies and procedures (SIPP). The solvency ratio valuation ratio is used to determine the frequency the actuarial valuations of the plan are required.

The investment performance was poor in 2022. The fund was -7% over the year. This reduced the going concern ratio from 0.29 at the end of 2021 to 0.827 at the end of 2022. The SIPP states that the plan should be changing the asset balance from 55% growth assets (stocks and real estate) to

45% fixed income (bonds). The discussions of changing the ratio to 65% fixed income to 35 % growth income are ongoing discussions within the committee.

The solvency ratio has increased from 0.818 to 0.893, largely due to an increase in interest rates, which had the effect of reducing solvency liabilities. The implication of this is that the requirement for actuarial evaluations change from annually to Tri annually.

The DB Committee will have to review in the winter of 2024 if a December 2023 valuation is recommended.

MOVED (M. Wiegand/S.Wilson-Kowal)

That the DB Committee's recommendation for the December 31,2022 Valuation assumptions be approved as presented, including increasing the discount rate from 4.40% to 5.15 % and the provision for adverse deviation for the next year be set at 0.6%

...CARRIED.

Action: Claire to inquire with Eckler clarification on Section 3, page 9 the comment about the data correction, clarification of what was corrected.

Action: Claire to update Eckler that the Actuarial valuation has been approved.

AON – J.King presented to the DB Committee at last week's meeting

Stock markets have done very well in Q2 of 2023 and the year to date, dominated by tech stocks.

The DB Committee's decision to exit the emerging markets in December 2022 has had a positive impact on the plan as that is 1 sector that has underperformed compared to other markets. Bond markets did not do well in Q2, short term bond yields are still higher than long term yields, meaning that the bond market is predicting an upcoming recession, but the stock market is indicating the opposite.

The Plan's annualized 4-year return is at about 4.8% and that has improved the funds the going concern status but has lagged it's benchmarked by 0.6 %.

-There has been a lot of turnovers of managers during the 4-year period, but for the entirety of that period, the real estate manager has performed extremely well.

-The Plan did not reach the threshold for a Cost-of-Living Allowance (COLA) of 6%.

-Canadian Equity manager Beutel Goodman has trailed its benchmark largely because it does not own Shopify, although it's return over the last year has been very good.

-International Equities manager, BlackRock is up 12% this year.

-Real Estate manager, CCSB, has added value consistently over the last five years.

-Fixed income manager, Beutel Goodman has consistently exceeded its benchmark.

The DB Committee had a wide-range discussion on increasing the equity allocations as per the SIPP.

Many feel that a recession is likely. Downstream difficulties such as mortgage renewals per individual and increased borrowing costs for corporations. Stock prices are quite high. The implications of increasing equity allocations for potentially awarding future COLAs were also discussed. This is an on-going discussion.

AON revised the SIPP, the DB Committee has reviewed the updated document, predicated on approval of the annual actuarial valuation from Eckler.

The document is reviewed annually by AON.

Multiple revisions were made, such as data on the funded status and return objections. Other changes included an updated description of the target, duration of the liability matching portfolio. They had a desire to match the duration of the assets to the duration of the liabilities, matching them exactly was dependent on the interest rate being granted for a type of federal bond.

Reflects the elimination of emerging markets.

MOVED: (M. Wiegand/R.Youngson)

That the motion to approve the revised DB SIPP as presented.

...CARRIED.

H. Hudek has submitted a proposal to the DB Committee to consider an investment strategy. The proposal seeks to address the fact that the plan is closed, the duration of the Liabilities is decreasing and there is no longer a long-term horizon for recovery in the event of a severe market downturn. There is an incentive to maintain a strong portfolio of equities because over time they produce much higher returns than bonds, this would be advantageous for the granting of COLA provisions. The proposal would move assets between fixed income and the equity structure. Essentially constructing a bond ladder, with bonds maturing every year for a five-year period to cover the next five years' cash flow requirements. Remaining assets would be put into equities, seeking higher returns. In years with good returns, excess funds would be allocated to the bond portfolio and years of poor returns, the allocation to the bond ladder would be reduced. The guiding principle for selection of equities would be to buy quality stocks that pay regular dividends, as opposed to more speculative investments. Growth assets would be converted primarily to Canadian assets since the liabilities are Canadian dollars. This proposal is a change in policy, the DB Committee has decided to forward the proposal to Aon, the DB Consultant, to provide the Committee with further suggestions as well as fees for the services.

4. Report from DC Committee (A. Bendor-Samuel)

a. Committee Chair (A. Bendor-Samuel)

The DC Committee met; A. Bendor-Samuel was re-elected as Committee Chair. Chris Chornick from ONYX attended so he could meet the new trustees of the DC Committee. ONYX Financial Group is a local agency that provides financial services to all members. He presented some usage stats from Q2 and pointed out that the number of requests for transfers of TFSAs, RRSPs and Spousal accounts are down. ONYX has been assisting members with the transfer of funds (RRSP, DCP, TFSAs), there have been some hiccups with setting up of the Spousal RRSPs and they are working closely with Desjardins to ensure smooth enrolments.

Desjardins will be holding 3 education sessions in October; the sessions will discuss the DC Plan as well as the Group Savings Accounts.

The Board approved adding the Decumulation to the DC plan in our December 2022 meeting. N. Darwish from Desjardins asked to meet with Andrew this September. She wanted the DC Committee to know that there had been delays. We are Desjardins' first Manitoba client to request

decumulation. A Manitoba requirement is to have a PRIF. This required Desjardins to apply for permission to provide PRIF's and is currently working to set-up on the OMNI app as well as the website for them. The paperwork is in place and the fee structure is the same and are expecting to start communications in early 2024.

There was an issue with the Q2 report, a few numbers did not seem to add up but were reviewed and it was simply fees were deducted from the balance.

When we hired Eckler, the DC Consultant, one service we discussed was to provide a full review of the plan. Two options were presented. The first was a full review, that came in quite costly, approximately \$16 000. The DC Committee decided to do a review of the plan, using Desjardins' information. Once Q3 reports are finalized by Desjardins, Ekler will do a review of the portfolio as well and present it to the Committee in October.

The DC Committee feels that is important for the membership to know about the financial services offered by ONYX and to provide messaging in the annual statement. There are six different locations that it can be placed with the hopes of the message to be placed on the third page of the statement for best exposure.

The SIPP was reviewed, no changes were required.

CAP/CAPSA guidelines have some to review and still some questions that will be addressed, mostly about the retirement.

Desjardins hosts an annual client forum; it will be in Montreal in November. As a client we are invited to engage in discussions with other clients, receive updates on Desjardins' services and discover what is new in the industry. No cost to attend.

5. Report from Operations Committee (A. Bendor-Samuel)

a. Committee Chair

B. Ward was elected Chair of the Operations Committee.

b. Financial Statements to June 30,2023 (N. Basra)

Statement of financial position has 2 main changes; The change in the assets with the Cash and Cash equivalents and the Contributions Received. The increase in cash is from monthly withdrawals from the fund manager. There was overpayment by the University and that is no longer the case this year.

In terms of statement of changes in their assets. The University's contributions to the DB Plan are decreasing as the number of members decreased due to retirements and deaths. This is a normal trend as it is a closed pension plan.

The University's special payment, the going concern contributions are substantially lower because of the decrease in contribution requirements because of Eckler's 2021 valuation.

The increasing investments in the DB Plan in the first six months in significant returns in the US and International Equities.

c. Budget update

The budget is on track with no major expenses, small realignment between the various fees that increase annually.

d. Other

CAP/CAPSA guideline for the Operations Committee was reviewed, still accurate and no need for changes.

The Calendar of Deliverables was reviewed, the Operations Committee will continue to review quarterly with the Other Committees.

Discussed Trustee Education for the upcoming meetings, A. Bendor-Samuel will present today, and N. Basra will present at the December meeting.

6. Other Business

a. Trustee Education (A. Bendor-Samuel)

A. Bendor-Samuel attended DC Summit in February 2023 and presented “How to Get More Retirement Income with Less Risk”, an educational session presented by Frederick Vettese. It is to try to ensure DC plan members have adequate income for the rest of their lives, it is pointed out the hurdles to overcome and what income pattern is preferable. Comparisons are done by mixed age and real-life scenarios that would impact the value of funds.

The most important was to ensure that members are properly educated.

b. Election of Secretary

A. Bendor-Samuel was nominated (Unanimously) as Secretary of the Board of Trustees (Acclaimed)

7. Date of next meeting

Monday, December 11, 2023

10. Adjournment

As there was no other business to come before the Board, the meeting was adjourned.

Chair

Secretary