

Academic Pension Board

May 25, 2010

10:00 a.m. SSB 5104

PRESENT: Stephen Foerster, Stephen Hicoock, Michelle Loveland (Chair), Craig Dunbar, Lynn Logan, Jane O'Brien, Louise Koza, Martin Bélanger, Andrea Magahey

ITEM 1: Adoption of the Agenda

Motion to approve the Agenda: Louise Koza

Seconded: Lynn Logan All in Favour

ITEM 2: Review of the investment mandate for the General Account of the Academic Staff Pension Plan

Martin Bélanger provided an overview of the proposal to change to investment mandate for the assets backing the defined benefit liabilities in the Academic Staff Pension Plan to an immunized bond portfolio. This would enable the expected cash flows from investments to better match the cash flow demands of the liabilities. There are 43 members with defined benefit entitlements in the Academic Staff Pension Plan and the average age is 89. This is a closed group and no other members will accrue defined benefits under the pension plan as special members.

A discussion regarding the history of past recommendations made by the Academic Board to the Board of Governors in regard to discretionary ad hoc cost of living increases followed. The last recommendation to make an ad hoc cost of living increase was in 1985 and the current assets of the plan, using the immunized bond fund, do not support making a recommendation to the Board of Governors to make an ad hoc increase.

Further discussion on the proposal followed. Given the age and cash flow requirements for the members with defined benefits it has been recommended by our consulting actuaries that the investment mandate for the General Account be changed from 60% Diversified Bond Fund and 40% Diversified Equity Fund to an immunized bond portfolio. This would reduce the risk in the portfolio and better match anticipated cash flows. The mandate of the General Account is within the decision making authority of the Pension Board but it was noted that the change in the mandate to immunize the portfolio would result in an increased monthly contribution of approximately \$1060 to fund a going concern deficit and that this would need to be funded by the University as plan sponsor. This change in investment strategy is not a change in the benefit level or entitlements under the pension plan but the Audit Committee of the University should be advised of the additional costs. A discussion regarding the possibility of an interim valuation for the end of June 2010 followed.

Motion: That the assets backing the defined benefit plan liabilities in the Academic Staff Pension Plan, excluding assets backing the excess earnings pensions provided to two pensioners, be invested in an immunized bond portfolio, the cash flows of which will match the expected cash flows of the liabilities, to be effective on or before July 1, 2010:
Louise Koza

Seconded: Stephen Foerster All in favour

Motion to Adjourn: Lynn Logan

Seconded: Stephen Hicoock All in favour

Meeting adjourned: 10:40am