

THE UNIVERSITY OF WINNIPEG
TRUSTEED PENSION PLAN
BOARD OF TRUSTEES

Minutes of the Meeting of
Monday, September 21, 2020

ATTENDANCE:

Present: Ron Youngson (Chair), Mark Betcher (Secretary), Colin Morrison (Vice-Chair), Mike Emslie (Treasurer), James Townsend, Barry Barske, Andrew Bendor-Samuel, Ray Erb, Marni Yasumatsu, Lorraine Parrington, Ed Byard, Murray Wiegand, Lorne Hilton, Sheila Wilson-Kowal

Also, In Attendance: Tarun Kumar (recording secretary)

Meeting started with introduction of new Trustees on the Board.

1. Approval of Agenda

MOVED: (J. Townsend/A. Bendor-Samuel)

That the Agenda be adopted as presented.

...CARRIED.

2. Approval of Minutes of the meeting of June 8, 2020

MOVED: (J. Townsend/M. Wiegand)

That the minutes of June 08, 2020 be approved with a few amendments.

...CARRIED.

3. Report from DC Committee (September 10, 2020) (moved up the agenda)

A. Bendor-Samuel reported for the DC Committee. He indicated he was acclaimed as the Chair of the DC Committee for the coming year. In regards to Sun Life service standards, there were a few issues previously reported where Sun Life settled pensions without getting authorization from us. This issue came up again due to change in day to day service representative at Sunlife. M. Betcher added there is one such case and he will raise this issue with Sun Life.

A. Bendor-Samuel indicated that occasionally Sun Life reviews the fee structure of the funds and they have proposed a reduction in fees on some of the funds. He added that Sun Life is aware that we are going to do a service provider search and we believe this is a proactive measure taken by them in anticipation of the RFP. Despite all that, it will be a reduction of fees for our members and meets our fiduciary responsibility. R. Youngson added it is worth noting that the fees reduction in funds are to the default funds which means assets in these funds will continue to grow over time, which is good for our members.

MOVED: (M. Betcher/Lorne. Hilton)

That the DC Committee recommendation to sign the letter of commitment with Sun Life, to reduce the fees, be approved as presented.

...CARRIED.

ACTION ITEM M. Betcher to send the letter of commitment to R. Youngson for signature.

A. Bendor-Samuel provided an update on DC Consulting RFP to Board and new Trustees. He noted that the original plan was to have a DC consultant to assist with member education, and later other things like review of SIPP, CAP/CAPSA guidelines, Trustee education and fund oversight we added. Although we are in good standing at this stage, we believe it will be good to have someone specialized look at the DC side of the plan which will put us in even better standing. He noted a total of 13 organizations responded to the RFP and out of those 4 were finalists. After the interviews, the Sub-committee short listed 2 finalists which were Eckler and ONYX. The Sub-committee felt that the cost of financial oversight of the funds provided was more than we anticipated and would not be of enough benefit for our members. So, we removed that service and asked for requote. Based on requote and their specialties it was decided by the Sub Committee that Eckler will do the governance which will cost around \$10,000 per year. For Trustee education and development of material the cost will be around \$5,000. Each session will cost around \$1,200 to present. Eckler will be our Consultant who will do the DC provider review and if we begin an RFP for service provider, then they will review the funds during RFP process which will cost around \$25,000. ONYX will take care of education of the members. It will cost 4.5bp based on the assets in the plan. R. Youngson added that DC Committee should contact these 2 Consultants and engage their services however the timing to start with their services will be slightly different for both. A. Bendor-Samuel noted that Eckler will start as soon as possible, after Board approval, and will be engaged in DC service provider search; however, ONYX services will be deferred until new service provider search is completed. Sub-committee brought this motion to DC Committee which was approved.

MOVED: (M. Wiegand /L. Parrington)

That the DC Committee recommendation to hire Eckler as Consultant for governance and ONYX to be the Consultant for member education be approved as presented.

...CARRIED.

4. Report from DB Committee (September 15, 2020)

M. Emslie reported for the DB Committee. He indicated that he was acclaimed as the Chair of the DB Committee for the coming year. The Committee met with Jeffrey King to review Q2 financial results. M Emslie noted that in Q2 the Total Fund trailed its benchmark by 3.4% and that is about 5.9% year to date. We were hurt primarily by value buyers of our equity with both Canadian and global managers. Even though in later part of Q1 we switched our Canadian equity manager to BG which did better than our prior manager. In total within Canadian market without holding Shopify or Gold stock, our manager performed acceptable. Sprucegrove our global equity manager continues to be a challenge. Our Investment manager, AON, suggested that value is likely to remain lagging the Index for the foreseeable future because of Central Banks have been fueling the money supply and uncertainty in the market around Oil and Fossil Fuel. We had various conversations with Sprucegrove and they have underperformed for quite some time but this year they have even lagged other value managers. DB Committee had conversations to identify what should be our next steps and after various discussions DB Committee came up with a proposal that we should pull the money from Sprucegrove and park it in a passive fund. He added AON has suggested to look for passive Index fund tied to MSCI global Index and suggested TDAM or BlackRock. If we want to make this shift, then these will be the two managers. AON recommend that we should reach out to them and ask for a quote. At the same time DB Committee also acknowledged that there is a risk of us selling low and potentially buying high. S. Wilson-Kowal noted that since last DB Committee meeting, she looked at MSCI world index and the top 5 stocks in that make up the 15% in that Index so there is bit of concentration risk and they are the usual suspects of the Faang stocks (Facebook, Amazon, Apple, Netflix and Google). It will be a change in moving from value strategy to one which is more geared towards growth strategy. Although, it is difficult to know exactly when it may shift. She agreed to M. Emslie's point and said it is really a difficult decision to make because things can shift on a dime and value may take off. She added if we get news about a vaccine

that will be coming at end of this year or is it in testing phase then that could be the time when value may take over.

M. Emslie noted as a group of Trustees we accepted that active management adds value. However, during highly volatile times where managers opt to be really adding value and earning returns, unfortunately, in last 2 down turns 2008 and 2020 they were not able to protect value. He added, it may be an argument to make for moving towards a passive approach in particular on the global side where there is better information and an argument to make that this market is priced better and there is a less opportunity to earn return from special insight. There is a risk as mentioned by S. Wilson-Kowal which is due to concentration risk. It is very challenging decision for us and at the same time Sprucegrove has performed poorly. They are not able to protect value during downturn and historically lagged in the past as they were underweight in US.

J. Townsend asked if DB Committee is planning on completely getting out of the value and to follow a passive approach in the long term as based on Sprucegrove performance this is the easiest action to take in short term. M. Emslie indicated that DB Committee planned to make a move now and then decide where we go next based on more thorough conversation with the Consultant. L. Hilton added that the Committee lost the confidence in Sprucegrove based on their performance in prior several quarters and we think this manager does not have the expertise in house anymore to make things competitive

MOVED: (A. Bendor-Samuel/Lorne. Hilton)

DB Committee recommendation to move all the assets allocated to Sprucegrove to an Index fund, to be determined based on the responses to an RFP, be approved as presented.

...CARRIED.

M. Emslie noted that DB Committee issued an RFP for a Bond manger search based on the change made to the SIPP last year. Request for proposal was sent to 5 firms and 4 came back with a response. All of them had the expertise to perform the job of managing the Custom Bond portfolio which will work on duration matching. However, there was a significant difference between the pricing and BG came with the lowest price. Based on our current asset allocation it is approx. \$26,000 a year. The next 2 closest were around \$80,000 a year and FGP came up with \$1,04,000. Based on pricing difference and our confidence Committee feels that BG will be able to perform the job.

MOVED: (M. Emslie/C. Morrison)

DB Committee recommendation to reallocate Bonds form FGP to BG, the new custom portfolio that was identified in the SIPP last year, be approved as presented.

...CARRIED.

M. Emslie noted that the results are largely aligned with what Eckler has presented in June. Actuarial valuation 2019 shows us the positive result from the market. Funded ratio has improved for the plan and passed the threshold where we need to reallocate assets so we will be reducing assets from equity and moving them to fixed income side of our portfolio. Increase in the asset value is offset by reduction in future effective return and allowance for the adverse deviation which means the University contribution remain relatively even compared to last year. Solvency ratio also improved but we are still at 75% which means we will continue to have annual valuations.

MOVED: (M. Emslie/C. Morrison)

That the Actuarial Valuation be approved as presented.

...CARRIED.

ACTION ITEM T. Kumar to send Appendix F of the valuation for signature to R. Youngson and M. Emslie.

5. Report from Operation Committee (September 14, 2020)

M. Betcher reported for the Operation Committee in the absence of E. Byard. He indicated that E. Byard was unanimously acclaimed to be Chair of Operation Committee for coming year. M. Betcher noted that the Q2 financial statements are attached with the agenda and they are provided for information purpose only. In the 2020 Pension Budget there are couple of ordinary changes compared to last year like the investment analytics fees is \$45,000 this year compared to \$93,097 in last year. This change was due to the rewrite of SIPP and search of the Canadian equity manger. Also due to COVID-19 there is no travel for courses like ATMS, FTMS so our education cost is down for this year.

M. Betcher noted that the CAP/CAPSA guideline 4 which Operation Committee reviews as a governance item was reviewed and there were couple of corrections which were made and its was completed. He added T. Kumar will be sending out Trustees education survey to all the Trustees to gauge their knowledge on various aspects of Pension Plan. This will help Operations Committee to determine the training needs for Trustees.

ACTION ITEM T. Kumar to send Trustee education survey to all the Trustees.

6.Date of Next Meeting

The date of the next Board of Trustees meeting is December 14, 2020.

7.Adjournment

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

Chair

Secretary