



Information for Wilfrid Laurier University Pension Plan Members

Office of the Vice-President: Finance & Administration
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Pension Plans are currently operating in a difficult environment of uncertain financial markets, falling energy prices and weakness in the global economy. As you are aware, World markets have experienced significant and unprecedented decline over the past few months. In September alone, Canadian Equity markets (S&P/TSX Composite Index) were down by 14.45%, U.S. equity markets (SP500 Index) were down by 8.62%, and international equity markets were down by 14.19% (MSCI EAFE Index). The market declines continued well into the third quarter: the S&P/TSX Composite Index was down 20.62% in the period October 1 through November 30, while the S&P 500 Index was down 9.83% and the MSCI EAFE Index was down 11.85%.

We understand that during these uncertain times, employees and retirees are concerned about the balances in their Money Purchase Pension (MPP) accounts and how the decline in the markets could impact their future pension income. The University and the Pension Committee of the Board are also concerned about the current market conditions and the impact on the Pension Plan. We have been closely monitoring the Plan's investment performance and funding position and had taken steps, even before the recent market declines, to begin contingency planning. At the November 20th Pension Committee meeting, the committee received a detailed report from a third party investment consultant analyzing the 5-year performance of our Pension Fund. The information received in this report will be carefully reviewed along with the current Statement of Investment Policies and Procedures to ensure the asset mix and fund management structure continue to support our long-term investment strategy.

Current and Five-Year Returns

The WLU Pension Plan, at October 31, 2008, had a net fund yield (i.e. return) of -18.35%. On an annualized basis this equates to net fund yield of -21.54% which is the lowest annual net return experienced by the Plan in the past 25 years. Russell Investments currently manages the assets of Wilfrid Laurier's pension fund, and the fund asset mix policy is as follows: 30% Canadian Equity, 15% U.S. Equity, 15% Overseas Equity, and 40% Fixed Income. Fortunately, the diversification of our assets (60% Equities, 40% Fixed Income) minimized the reduction that would have been experienced had our investments been more heavily weighted in equities.

The recent negative returns are in stark contrast to the average Plan returns of 10.5% over the past five years (2003–2007). Also, when we compare the historical WLU Pension Plan performance to a large group of Canadian universities who are members of Canadian Association of University Business Officers (CAUBO), it is evident the WLU Plan has performed well.

	Annualized Rates of Return December 31, 2007			
	1 Year	2 Year	4 Year	5 Year
CAUBO # Respondents	52	51	48	47
CAUBO Median Performance	2.0%	7.2%	9.1%	9.9%
WLU Pension Plan	2.7%	8.0%	9.6%	10.5%

Impact on Plan Members

The WLU Pension Plan is a Money Purchase plan (also known as Defined Contribution) with a Minimum Guarantee pension level (also referred to as Defined Benefit). This two-part hybrid design enables you to reap the rewards of the Plan's investment performance, while providing you with the security of Minimum Guarantee benefit. The Minimum Guarantee benefit is calculated based on your service and best year's earnings at retirement and is not impacted by the investment returns of the Plan. Although recent negative returns have impacted the money purchase account balance, the Minimum Guarantee benefit ensures an individual's pension benefit never falls below the Minimum Guarantee level. Current retirees may also experience a decrease in their monthly pensions through the annual indexing process, but once again, benefits will never fall below the Minimum Guarantee level.

Impact on the University

History has proven that markets will recover over time, and we continue to support a long-term investment strategy for the Plan. However, the University must face some short-term realities. As Pension Plan sponsor, Laurier is required by law to ensure adequate funding of the Minimum Guarantee benefit. Investment returns have a significant impact on funded status of the Plan and poor returns can result in large funding shortfalls that the University is required to pay over a specified period. We must file our triennial actuarial valuation of the Pension Plan's financial position in 2009. Preliminary projections from our actuary have shown a substantial decrease in the funded status of the plan (primarily due to poor investment returns), which will require the University to make very large special payments over a five-year period. These payments will significantly impact our operating budget, and we are currently engaged in a contingency planning process to address the issue.

Many other Ontario Universities will be faced with large pension solvency payments as a result of the poor financial markets, and recent recommendations from the The Ontario Expert Commission on Pensions will compound this problem if accepted. The Council of Ontario Universities is working quickly to respond to recommendations from the Expert Commissions, and to lobby the government for some relief from solvency payments.

The university will provide further updates as appropriate. In the meantime, if you have specific questions, please contact the Office of the Vice-President: Finance & Administration.