

Fiduciary Education

For the University of Western Ontario

Pension Plans

Education Program for Pension Board Members

Elected and appointed members of the Pension Boards for the University of Western Ontario Pension Plans assume a great deal of responsibility. The management of combined assets of the plans which exceed \$1 billion requires care, diligence and skill. With over 7000 beneficiaries of these assets, the pension board members must act with prudence and in the best interest of those beneficiaries.

In order to perform their role adequately, they must acquire knowledge with respect to the investment, administration and communication of the assets and benefits under the plans. This brochure details the program in place for board members to acquire that knowledge and build on the knowledge during their term on the board.

The expected learning outcomes include to following:

- each pension board member will have sufficient knowledge of issues discussed to make high level policy decisions
- the pension board will be a governing body that not only manages the current structure of the plans but also introduces innovations in the plans to increase the value added to members
- each pension board member will be sufficiently aware of the public policy regarding pension benefits in Canada and the industry trends to judge whether any proposed changes to the plans are consistent with the policy and industry trends

The education program has four components:

- an overview for new board members of the pension deal and how it is currently delivered
- an annual retreat for all board members to review past decisions and consider future initiatives
- opportunities to attend industry conferences
- detailed research for each issue discussed by the board, including explanation from professionals in the industry on the issues

Each component of the education program is explained in more detail in the following pages.

Overview of Pension Deal

The Academic and Administrative Staff Pension Boards work together as the Joint Pension Board. The Boards are sub-committees of the Board of Governors and have been delegated the responsibility of administering the respective pension plans. Human Resource Services has been delegated the responsibility of day-to-day administration of the plans. Active Western Pension Plan members are invited to participate in the formation of the Joint Pension Board. Each year a call for nominations is made for the annual election of two board members - one for each of the Academic and Administrative Pension Boards. Those who are elected to the Board are required to serve a 4-year term, beginning July 1. Prior to assuming their position on the board, newly elected

or appointed board members are invited to all board meetings to listen to the discussion of the issues.

During this interim period, new board members attend an orientation session with the Director, Investments to gain an understanding of the pension and investment industry and the manner in which Western has positioned its pension plans in that industry. Topics covered in this information session include:

- the history of the pension plans
- duties of an administrator of pension plans and applicable statutes
- operation of the pension boards and a review of their key principles
- description of the role of various internal and external resources that have been delegated operational aspects of the pension plans
- a breakdown of the investment portfolios, managers and mandates
- an explanation of investment performance data and guidance on selecting and reviewing investment managers
- a summary of communication, counseling and educational opportunities that are offered to members of the pension plans
- suggested periodicals and other sources of data for keeping current on pension and investment issues

Although this orientation session is intended for new board members, existing board members are welcome to attend to refresh their understanding of the pension deal.

Annual Retreat

It is important that the pension board not only manage the current structure of the plan but also bring forward ideas and initiatives to improve the structure. The annual retreat is an opportunity for board members to assess their past performance and to plan for future initiatives.

The annual retreat is up to one day long so that all members have a break from their regular roles at the University and can participate in focused planning and discussion. The retreat is designed for pension board members only. The format for the retreat may include the following:

- an address from a keynote speaker who brings a fresh perspective of the Western pension deal and how it compares with other arrangements in the industry
- a review of past decisions made by the board using case studies to illustrate efficiencies and inefficiencies in the pension plan governance and administration
- a brain storming session that brings forward new and creative ideas for the pension plan
- a planning session that will result in a one year plan for issues to be discussed at committee and board meetings

Consultants may be invited to join the board on this retreat, depending on the content and the consultant's expertise.

Industry Conferences

In addition to educational opportunities designed specifically for the Western pension boards, board members are encouraged to attend industry conferences to gain a perspective of how the Western pension plans compare with others. It is expected that these conferences will provide an

opportunity for the board member to meet and discuss relevant issues with other pension plan sponsors and an opportunity to learn about new legislative changes and industry trends. The Pension Investment Association of Canada (PIAC), Association of Canadian Pension Management (ACPM), Canadian Association of University Business Officers (CAUBO), Russell Investments and a variety of investment managers and industry researchers have sponsored conferences which have been attended by board members. There is a limited travel and registration budget allocated for these conferences that should permit each board member to attend a conference every two years.

Research of Issues

For each committee and board meeting, issues for discussion are researched and the relevant details of that research is distributed to board members to assist in preparation for the meeting. For each motion or recommendation the Director, Investments gathers data on:

- rationale for the issue being discussed or proposed change
- compliance with relevant statutes and plan documents
- performance, cost and other statistical data that support the proposal being made or that should be considered
- anticipated problems or possible down sides to the proposed changes and a description of tools or procedures that could be used as a warning for possible problems
- declare possible conflicts of interest that may influence the proposal
- implementation plans for the proposal including individuals responsible for changes, timing of implementation and how the change will be communicated to pension plan members

Pension board members may consult the internal staff to get clarification on an issue or to gather further information prior to any meeting. Human Resources keeps a library of consultant, manager and industry reports as well as archives of minutes for all past board meetings.

At each meeting, the Director, Investments or a designated expert presents the research orally and the pension board members have the opportunity to get clarification on the issue.

The Educators

Coordination of the education program is the responsibility of the Western Human Resource Services. The overview of the pension deal and the research for meetings is largely provided by the Director, Investments. Investment Consultants, Actuarial Consultants, Communication Consultants, Custodian and Record keeper, Legal Counsel and External Auditors are called upon when appropriate.

Martin Bélanger - Director, Investments

Russell Investments - Investment Management Consultants

Morneau Shepell - Actuarial Consultants

Sun Life Assurance Company of Canada- Custodian, Record keeping, Communication and Advisory services

Brown Mills Klinck Prezioso LLP - External Legal Counsel

KPMG - External Pension Fund Auditors