

May 28, 2012

RE: University of Windsor Retirement Plan for Faculty and Certain Employees (the "Plan") Registration Number 0366849

Dear Pension Plan Member:

The purpose of this memo is to provide an update on the financial status of the University of Windsor Retirement Plan for Faculty and Certain Employees (the "Plan") and to provide details of the Ontario funding relief program as it applies to the Plan.

As you know, the recent economic environment has had a dramatic effect on pension plans everywhere. This is coming at a time when budgets are tight and many organizations are faced with difficult decisions on how to manage significant cost escalations with limited resources. As a result, in June 2009, the Ontario government announced a funding relief program for registered pension plans. This program allows pension plan sponsors to defer special payments required to be contributed to the Plan over the period July 1, 2011 to July 1, 2012. One requirement of the program is that all Plan members be notified about these funding changes.

Funding status of the Plan

The Plan is registered in Ontario and subject to the *Pension Benefits Act* of Ontario (PBA). The PBA requires that registered pension plans have regular actuarial valuations completed and filed with the regulators. An actuarial valuation is a complete assessment of a plan's financial status at that point in time. The financial status is tested in two ways:

- Under the "going concern" test, a plan's liabilities are estimated as if the plan were to continue indefinitely
- Under the "solvency" test, a plan's liabilities are estimated as if the plan was terminated on the valuation date.

If the actuarial valuation shows that a plan has a shortfall on either the going concern or the solvency test, then the employer must contribute special payments to eliminate that shortfall. The actuarial valuation also outlines the current service cost for the plan. This is the cost to provide the pension benefits that will be earned in each one-year period after the valuation date by all active members.

An actuarial valuation was completed for the University of Windsor Retirement Plan for Faculty and Certain Employees, effective July 1, 2011. The results of the valuation identified a going-concern deficit of \$45,404,268 and a solvency excess of \$8,638,577 as at July 1, 2011. As a result, contributions are required to eliminate the going-concern deficit in accordance with the Pension Benefits Act in addition to the contributions required to fund the current service cost.

The ratio of the Plan assets to the Plan wind-up liabilities (the PBA calls this the "Transfer Ratio") was 79% at July 1, 2011. This means that, if the Plan had been terminated on July 1, 2011, the plan assets would have paid for 79% of the plan's benefits.



What does the funding relief program mean to the Plan?

The Ontario solvency funding relief measures, announced by the Minister of Finance in June 2009, allow pension plan sponsors to choose among three one-time options. The University of Windsor, as Plan Sponsor, chose to defer the start of any contributions in respect of a new going concern unfunded liability by twelve (12) months.

By taking funding relief, the University of Windsor is able to revise the schedule of special payments established on July 1, 2011 as follows:

Minimum University Special Payment	With Relief	Before Funding Relief
July 1, 2011 to June 30, 2012	2,646,756	5,231,532
July 1, 2012 to June 30, 2013	5,385,324	5,231,532
July 1, 2013 to June 30, 2014	5,385,324	5,231,532

Funding relief does not apply to the current service cost obligations, so the required current service cost payment is unchanged. For the period July 1, 2011 to June 30, 2012, the University of Windsor current service cost is estimated to be \$4,411,824 in respect of the Money Purchase Component and \$3,632,621 in respect of the Minimum Guarantee Component.

The University of Windsor filed the July 1, 2011 valuation report with the Financial Services Commission of Ontario on March 30, 2012. This report takes into account the funding relief measures applied to the Plan.

Why is the University taking this funding relief?

Through funding relief measures, the government of Ontario is allowing pension plan sponsors, including the University, to delay its contributions to the Plan on a short-term basis. Although a portion of contributions are being deferred by twelve (12) months, the University believes that overall benefit security will not be impacted in the long term. We believe that this is the right move in these challenging times, to balance Institutional needs while continuing to fund its pension obligations in accordance with government regulations.

If you have questions, please contact Ms. Cheryl Paglione, Director of Employee Services, at (519) 253-3000 ext. 2014, or by email cheryl.p@uwindsor.ca.

Yours sincerely,



Rita LaCivita
Chief Human Resources Officer

Cc: D2. Retirement Committee Members
Windsor University Faculty Association President
Director of Employee Services