

April 21, 2011

## **Pension Plan Report**

There are four matters to report.

1. The Plan actuaries (Towers Watson, Montreal office) presented a final draft of the valuation based on data of July 1, 2010 to the Plan Board of Trustees in March 2011, in preparation for filing with provincial and federal regulatory agencies. The main features had already been approved by the Trustees, and include the following: the assumed annual rate of earnings on investments is 6.25 % (down from 6.50% in the previous valuation); incorporation of the 'fresh start' approach to amortization of past-service costs; and use of funds from the Rate Stabilization Account (created under the Improvement Program implemented in July 2007), in order to hold the rate paid by members and matched by UNB constant at the July 2007 level.
2. Investment returns have been good during the first eight months of the current valuation year: 12.4% for the period July 1, 2010 to February 28, 2011.
3. Last fall the provincial government established a task force on pension plans, and the task force is now inviting submissions. AUNBT and UNB (sponsors of our Plan) and the Board of Trustees have agreed to prepare a joint submission. Representatives of AUNBT, UNB, the Board of Trustees, and Towers Watson will be meeting on April 29, 2011 to begin preparing a brief to the task force.
4. The 2007 Improvement Program requires that the Plan sponsors annually review the funding status of the Plan. It has been agreed that the 2011 review will begin in early fall, by which time data for the July 2011 valuation will be available. As usual, the review will be in cooperation with the Trustees and with the assistance of the actuaries.

The Plan continues to be significantly underfunded. Although this is a common problem for defined benefits plans across Canada and the USA, it is and will remain a serious concern for the foreseeable future.

Members of the AUNBT Pension Committee: Jula Hughes, Rick McGaw, Gopalan Srinivasan, Barbara Trenholm, Jack Vanderlinde, Jon Thompson (chair).

AUNBT appointees to the Board of Trustees: David Bell, Bob Maher, Evelyn Richards, Gopalan Srinivasan, Norm Betts (co-chair). UNB also has five appointees; its co-chair is Larry Guitard.