

Government Funding Announcement

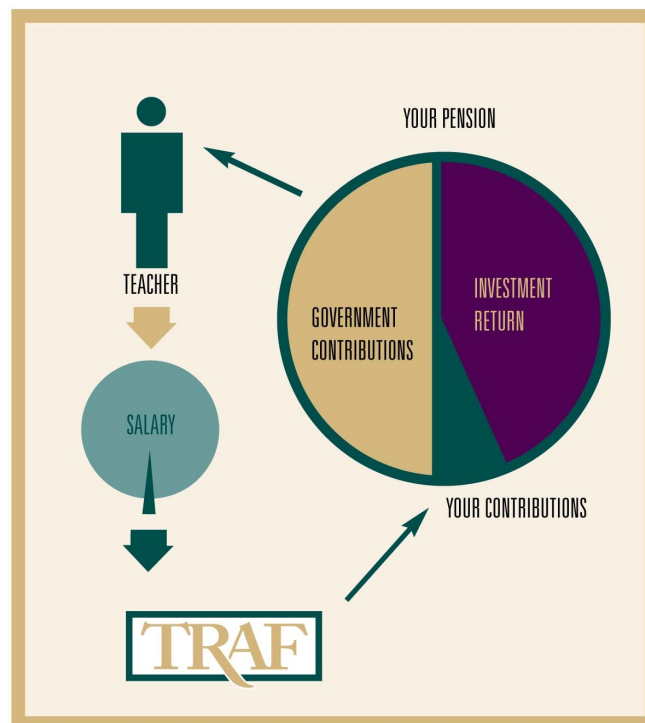
On March 22, 2007, the Province of Manitoba announced an intention to provide \$1.5 billion into the trust account to help address the province's unfunded liability in respect of TRAF.

As TRAF has received several questions from members on this issue, we would like to share some of them and the answers with the entire membership.

1. What exactly is happening?

To answer this, let's first generally describe the funding aspects of the TRAF pension plan.

Your pension contributions plus investment return are designed to pay half the cost of your future pension.



The government does not pay into TRAF when members do; instead, it pays half the cost of the pension when a member retires. This is referred to as a “pay-as-you-go” arrangement. Because the province has not contributed specific funds to support its share of future pensions, its liability is stated as “unfunded”.

In 2000, the government started a program through which it puts money into a special fund (the trust account) which is intended to eventually finance its share of teachers' pensions. As of December 31, 2006, the amount of money that the province had set aside was about \$315.7 million.

The recent announcement is regarding the government's commitment to place another \$1.5 billion into this fund, which will increase the total amount to approximately \$1.82 billion.

2. How will these funds be invested?

The provincial funds will be invested on the same basis as the TRAF Fund. In fact, all monies are held in a common investment account. The aggregate investment management costs are borne by TRAF and the province on a proportional basis. There is a mutual benefit as a larger pool of money such as this can generally be invested more cost effectively than two smaller pools.

3. How does this benefit the membership?

Pension plan funding can be done on an unfunded (ie. "pay-as-you-go") or funded basis. A funded basis is generally considered to be better, as there is certainty that the money will be there when needed.

In this case, while not funded in the traditional sense, having a separate fund that has been specifically set up to ultimately eliminate the unfunded liability provides extra assurance to the members that their plan is financially sound.

4. Does this impact my pension payment?

No. Existing pensions are unchanged. The formula is also unchanged. The implementation of the funding referenced in the announcement will have no impact on your pension payment.

5. Does this impact my COLA?

No. The COLA formula and structure remains the same. The implementation of the funding referenced in the announcement will have no impact on your COLA.

If you have any specific questions regarding this or any other TRAF matter, please contact our office at 949-0048 or toll free at 1 800 782-0714.

Thanks.