

Financial Statements of

**UNIVERSITY OF WINNIPEG
PENSION PLAN**

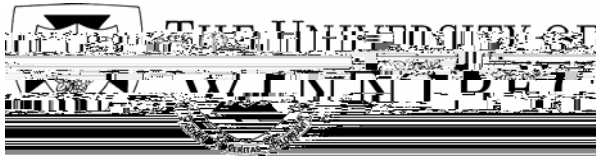
Year ended December 31, 2007

**THE UNIVERSITY OF WINNIPEG
PENSION PLAN**

FINANCIAL STATEMENTS

For the Year Ended December 31, 2007

	<u>PAGE</u>
Report on Financial Statements – Report of the Vice-President Finance & Administration	1
Responsibility for Financial Reporting	2
Actuary's Opinion	3
Auditor's Report	4
<u>Financial Statements</u>	
Statement of Net Assets Available for Benefits	5
Statement of Changes in Net Assets Available for Benefits	6
Summary of Investments	7
Changes in Net Assets Available for Benefits by Segment	8
Notes to the Financial Statements	9



University of Winnipeg Pension Plan

Report on Financial Statements

Report of the Vice-President Finance & Administration

The University Pension Plan reported net assets available for benefits of \$135.0 million at December 31, 2007 (\$139.8 million at December 31, 2006). The total net asset position consists of \$116.5 million for the Defined Benefit Segment and \$18.5 million for the Defined Contribution Segment.

Total contributions increased \$203,000 to \$4.8 million while benefits paid to retired members increased by \$197,000 to \$5.2 million. Refunds and transfers totaled \$4.5 million (\$2.8 million in 2006). The University was required by the Pension Benefits Act to withhold \$1.0 million of refunds and transfers as the Pension Plan had incurred a reported funding deficiency in the valuation at December 31, 2004. In February 2008, the University was provided with an exemption from meeting the solvency funding requirements and subsequently, the University has proceeded to pay the amounts withheld along with prescribed interest.

During the final quarter of the year, investment markets were difficult, as reflected in the current period change in the fair value of investments (decline of \$11.2 million). While the value of the portfolio declined in the year, the income earned by the portfolio improved by \$869,000 to \$8.6 million in 2007. This increase was due to increased asset values and interest rates for the first three quarters of the year.

The Plan's Actuary prepared a valuation of the Pension Plan as at December 31, 2007. The valuation reports an improvement in the going-concern deficiency declining to \$2.4 million (\$3.7 million - 2004). The University will continue to make the required annual going-concern deficiency payments of \$386,000 until the deficiency is eliminated. The actuarial valuation reported that the solvency deficiency test resulted in a \$20.7 million solvency deficiency. However, the Manitoba Government recently passed Regulation 141/2007 which permits the University to elect to be exempted from the solvency funding requirements under the Manitoba Pension Benefits Act. The University made the election and has complied with all of the requirements to be entitled to the permanent exemption.

Pursuant to an agreement with Plan Stakeholders in April 2003, the University had undertaken to establish and turn over the administration of the Plan to an independent Board of Trustees. On March 25, 2008, the University and Plan Stakeholders signed a series of agreements, including a transition plan and a Trust Agreement, to transfer the administration of the Plan from the University to an independent Board of Trustees. The newly established Board of Trustees will become fully effective on July 7, 2008, subject to approval by CRA and the Pension Commission.

On December 8, 2006, the Superintendent of Pensions of Manitoba issued an Order requiring the University to develop and implement a written governance framework, and pay a lump sum amount of \$6,454,000, plus interest to date. Net interest and adjustments to December 31, 2007 are estimated to be \$1,644,000, for a current total amount of \$8,098,000 under the Order. The amount is to be paid into and then out of the Plan, for the benefit of defined benefit members, in relation to the undistributed portion of their proportionate share of the Plan's surplus, as determined by the Plan Actuary in 1999, which surplus later ceased to exist, as a result of the market downturn in the Fall/Winter of 2001/02.

The University appealed the Superintendent's decision to the Manitoba Pension Commission, and the Commission's decision was made on April 23, 2008. The decision upheld the Superintendent's order, and the University intends to further appeal to the Manitoba Court of Appeal. The appeal is likely to be heard during the winter of 2009, and the decision of the Court of Appeal will, in all likelihood, be final. No payment, pursuant to the Order has been made, and no provision has been made for such future payment in the financial statements of the Plan as the outcome of the appeal is undeterminable.

(Original signed by Bill Balan)

Bill Balan
Acting Vice-President (Finance & Administration)
The University of Winnipeg
June 16, 2008





Eckler Ltd.

2640 — One Lombard Place
Winnipeg, Manitoba R3B 0X3
Canada

www.eckler.ca

A. Douglas Poapst, FSA, FCIA

Writer's Tel 204 988-1576

Email dpoapst@eckler.ca

Actuary's Opinion

Eckler Ltd. has been retained by the University of Winnipeg to perform an actuarial valuation of the assets and the going-concern liabilities of the defined benefit part of the University of Winnipeg Pension Plan (the "Plan") as at December 31, 2007 and adapted that valuation for inclusion in the Plan's financial statements.

In my opinion, for the purposes of the valuation,

- (a) the data used are sufficient and reliable,
- (b) the assumptions used are, in aggregate, appropriate, and
- (c) the methods employed are appropriate.

The valuation has been prepared and my opinion given in accordance with accepted actuarial practice.



June 11, 2008

Date

A. Douglas Poapst,
Fellow of the Institute of Actuaries
Fellow of the Canadian Institute of Actuaries

UNIVERSITY OF WINNIPEG PENSION PLAN

Statement of Net Assets Available for Benefits

December 31, 2007, with comparative figures for 2006

	2007	2006
Assets		
Cash	\$622,647	\$519,575
Contributions receivable:		
Members	123,632	129,752
University	143,848	294,105
Investment income receivable	50,337	49,711
Investments (schedule A)	135,274,704	138,984,023
	<u>\$136,215,168</u>	<u>\$139,977,166</u>
Liabilities		
Accounts payable	\$152,373	\$179,862
Refunds and transfers payable (note 9)	1,018,390	0
	<u>\$1,170,763</u>	<u>\$179,862</u>
Net Assets Available for Benefits	\$135,044,405	\$139,797,304

UNIVERSITY OF WINNIPEG PENSION PLAN

Statement of Changes in Net Assets Available for Benefits

Year ended December 31, 2007, with comparative figures for 2006
(see schedule B)

	2007	2006
Increase in assets:		
Contributions (note 6):		
Members	\$1,984,022	\$1,901,842
University	2,809,690	2,688,441
Investment income	8,647,240	7,777,747
Current period change in fair value of investments	(11,202,572)	5,237,215
Net realized gain on sale of investments	3,417,618	3,541,010
	<u>5,655,998</u>	<u>21,146,255</u>
Decrease in assets:		
Benefits paid to retired members	5,200,515	5,003,423
Refunds and transfers	4,484,828	2,773,518
Administrative expenses:		
Investment managers' fees	470,922	441,174
Actuarial fees	70,295	17,089
Administrator's fees	24,287	25,149
Custodial fees	27,279	45,087
Other expenses	130,771	98,612
	<u>723,554</u>	<u>627,111</u>
	<u>10,408,897</u>	<u>8,404,052</u>
Net increase (decrease) in assets available for benefits	(4,752,899)	12,742,203
Net assets available for benefits, beginning of year	<u>139,797,304</u>	<u>127,055,101</u>
Net assets available for benefits, end of year	<u>\$135,044,405</u>	<u>\$139,797,304</u>

See accompanying notes to financial statements.

UNIVERSITY OF WINNIPEG PENSION PLAN

Summary of Investments

December 31, 2007, with comparative figures for 2006

	2007			2006		
	Fair value	Cost	% Fair value	Fair value	Cost	% Fair Value
Defined benefit:						
Fixed income	\$55,739,410	\$55,646,470	47.72	\$52,189,209	\$51,016,328	42.60
Canadian equities	33,528,199	23,533,031	28.70	37,151,938	24,219,756	30.32
U.S. equities	11,321,436	9,902,265	9.69	13,859,484	9,654,862	11.31
International equities	15,380,065	13,452,134	13.17	18,447,006	12,850,644	15.06

UNIVERSITY OF WINNIPEG PENSION PLAN

Changes in Net Assets Available for Benefits by Segment

Year ended December 31, 2007

	Defined Benefit Segment	Defined Contribution Segment	Total
Increase in assets:			

UNIVERSITY OF WINNIPEG PENSION PLAN

Notes to the Financial Statements

Year ended December 31, 2007

1. Description of the pension plan:

The following description of the University of Winnipeg Pension Plan (the Plan) is a summary only. For more complete information, reference should be made to the Plan Agreement.

The Plan was established as a contributory defined benefit pension plan on September 1, 1972, at which time the funds were invested with an insurance company. In 1977, the funds were transferred to a trust fund and professional investment counselors were retained. The Plan is registered under the Income Tax Act and the Manitoba Pension Benefits Act (Registration #309914). A pension committee oversees the administration of the Plan, monitors the investments with the assistance and advice of the investment committee, and makes policy recommendations to the Board of Regents of the University of Winnipeg (University).

The Plan covers all eligible employees of the University, except those who are members of the United Church of Canada Pension Plan. Permanent academic employees join the Plan on their date of employment. Permanent non-academic employees may elect to join the Plan on their date of employment and must join by the first anniversary date of their employment. Under the Plan, contributions are made by plan members and by the University (note 6). A member who receives benefits from the 2002 disability plan of the University of Winnipeg is not eligible to contribute to the Plan. TD-0.0001rjD575t1 0 TDaccruersit7at

UNIVERSITY OF WINNIPEG PENSION PLAN

Notes to the Financial Statements (continued)

Year ended December 31, 2007

2. Significant accounting policies:

(a) (i) Basis of presentation:

These financial statements are prepared on the going-concern basis and present the aggregate financial position of the Plan as a separate financial reporting entity. They are prepared to assist Plan members and others in reviewing the activities of the Plan for the fiscal period but they do not portray the funding requirements of the Plan or the security of benefits of individual Plan members.

The annual financial statements of the Plan are prepared in accordance with Canadian generally accepted accounting principles.

(ii) Continuity of operations:

The financial statements do not take into account actuarial valuations and therefore do not reflect the financial position of the Plan on an actuarial valuation basis as referred to in note 5(a). In accordance with the *Pension Benefits Act*, an actuarial valuation is required at least every three years. An actuarial valuation of the defined benefit segment of the Plan was completed as at December 31, 2007.

The actuarial valuation at December 31, 2007 reported that the defined benefit segment of the Plan had a solvency deficiency of \$20,665,000 at that date.

The University would normally be required under the *Pension Benefits Act* to make additional contributions to amortize the solvency deficiency over a five year period. However, the Provincial Government has provided universities in Manitoba with an opportunity to be permanently exempted from the usual solvency funding requirements while the Plan continues on a going-concern basis. The University Pension Plans Exemption Regulation (Regulation

10

UNIVERSITY OF WINNIPEG PENSION PLAN

Notes to the Financial Statements (continued)

Year ended December 31, 2007

2. Significant accounting policies (continued):

The smoothed net asset values of the defined benefit segment of the Plan are as follows:

	2007	2006
	(In thousands)	
Net assets at market value	\$ 116,485	\$ 123,236
Smoothing adjustment	340	(9,323)
Smoothed value of net assets	\$ 116,825	\$ 113,913

Because of the going-concern deficiency December 31, 2007, the University is also required to make additional contributions of \$304,000 in 2008, \$295,000 in 2009 and \$291,000 in 2010 to cover the current service shortfall.

During 2005, amendments were made to the *Pension Benefits Act* which will affect the which will affect]63272 Tw 20hangf twould000 apuenxim28 ly \$1,100vice its . 20.4(Tc0.034luensy iw

UNIVERSITY OF WINNIPEG PENSION PLAN

Notes to the Financial Statements (continued)

Year ended December 31, 2007

(b) Investments:

Investments are stated at fair value. In determining fair values, adjustments have not been made for transaction costs as they are not consider

UNIVERSITY OF WINNIPEG PENSION PLAN

Notes to the Financial Statements (continued)

Year ended December 31, 2007

3. Risk management:

Defined benefit:

Fair values of investments and therefore the Plan's net assets available for benefits are exposed in the future to interest rate, inflation, market valuation, credit and currency risks. The definition of these risks follows:

- (a) Interest rate risk refers to the impact of interest rate changes on the Plan's financial position, investment income and cash flows.
- (b) Inflation risk is the impact of rising prices on the Plan's assets values, changes in actuarial assumptions, and the Plan's ability to meet its CPI related changes to paid benefits.
- (c) Market valuation risk is the adverse effects that may be caused by fluctuation in the market value of Plan assets resulting in a change in their value.
- (d) Credit risk is the risk of loss from the failure of a counter-party to discharge their contractual obligations.
- (e) Currency risk relates to the possibility that foreign currency-denominated investments will change in value due to future fluctuations in foreign exchange rates relative to the Canadian dollar value of the Plan's pension obligations.

The Board of Regents places limits on these risks by establishing, through the advice of the Pension and Investment Committees, an approved investment policy called "Statement of Investment Policies and Guidelines" that provides for risk mitigation. The investment policy is provided to the external investment managers and provides them with policy guidelines for investing the Plan assets, including asset allocation policy and benchmarks, type of investments, quality and credit ratings for securities.

4. Summary of investments:

The summary of investments (schedule A) represents the total investments of the defined benefit segment and defined contribution segment of the Plan held by the custodians. In respect to the defined benefit segment of the Plan, an external investment manager invests the Plan assets pursuant to the approved investment policy. The fixed income component is comprised of bonds and debentures

UNIVERSITY OF WINNIPEG PENSION PLAN

Notes to the Financial Statements (continued)

Year ended December 31, 2007

5. Obligation for pension benefits:

(a) Defined benefit obligation:

The actuarial present value of accrued pension benefits under the defined benefit segment was determined using the projected unit credit actuarial method and using assumptions recommended by the actuary and approved by the Board of Regents of the University. An actuarial valuation of the Plan was prepared, effective December 31, 2007 by Eckler Ltd., a firm of consulting actuaries. Excluding the obligation with respect to the Order of the Superintendent of Pensions dated November 17, 2006, and the corresponding Final Decision of the Manitoba Pension Commission made April 23, 2008 (note 10), the valuation results are as follows:

	2007	2006
	(In thousands)	
Actuarial present value of accrued pension benefits, beginning of year	\$ 113,891	\$ 110,167
Interest accrued on benefits	6,925	6,765
Pension increase	1,075	717
Benefits accrued	2,294	2,383
Benefits paid, refunds and transfers	(9,200)	(6,930)
Actuarial loss	4,224	789
Actuarial present value of accrued pension benefits, end of year	\$ 119,209	\$ 113,891

The pension increase in respect of 2007 of 2.38% will be effective July 1, 2008 and is equal to the increase in the Consumer Price Index (CPI) in 2007. The Plan provides that the increase in respect of a year will be equal to the excess of the rate of return in that year, based on smoothed asset values, over 6%, subject to a maximum of the increase in the CPI in that year. For 2007, the excess of the rate of return based on smoothed asset values over 6% was 2.52% while the CPI increase was 2.38%.

The pension increase in respect of 2006 of 1.65% was effective July 1, 2007 and was equal to the increase in the Consumer Price Index in benefits, tr9\$.5 rml on NTe acumepion rchangestnt Tinvst mnt return bu

UNIVERSITY OF WINNIPEG PENSION PLAN

Notes to the Financial Statements (continued)

Year ended December 31, 2007

5. Obligation for pension benefits (continued):

The value of net assets available for benefits at December 31, was

	2007	2006
	(In thousands)	
Market value of net assets	\$ 116,485	\$ 123,236

The assumptions used in determining the actuarial value of accrued benefits in the valuation at December 31, 2007 were developed by reference to expected long-term market conditions. Significant actuarial assumptions used in the valuation were:

	2007	2006
Rate of return on investments (discount rate) - pre-retirement	6.0%	6.5%

UNIVERSITY OF WINNIPEG PENSION PLAN

Notes to the Financial Statements (continued)

Year ended December 31, 2007

10. Contingency:

On December 8, 2006, the Superintendent of Pensions of Manitoba issued an Order requiring the University to develop and implement a written governance framework, and pay a lump sum amount of \$6,454,000, plus interest to date. Net interest and adjustments to December 31, 2007 are estimated to be \$1,644,000, for a current total amount of \$8,098,000 under the Order. The amount is to be paid into and then out of the Plan, for the benefit of defined benefit members, in relation to the undistributed portion of their proportionate share of the Plan's surplus, as determined by the Plan Actuary in 1999, which surplus later ceased to exist, as a result of the market downturn in the Fall/Winter of 2001/02.

The University appealed the Superintendent's decision to the Manitoba Pension Commission, and the Commission's decision was made on April 23, 2008. The decision upheld the Superintendent's order, and the University intends to further appeal to the Manitoba Court of Appeal. The appeal is likely to be heard during the Winter of 2009, and the decision of the Court of Appeal will, in all likelihood, be final. No payment, pursuant to the Order has been made, and no provision has been made for such future payment in the financial statements of the Plan as the outcome of the appeal is undeterminable.

11. Fair value of other financial assets and financial liabilities:

The carrying values of all other financial assets and liabilities approximate their fair market values due to the short term nature of these amounts.