Financial Statements of

UNIVERSITY OF WINNIPEG PENSION PLAN

Year ended December 31, 2004

THE UNIVERSITY OF WINNIPEG
PENSION PLAN

FINANCIAL STATEMENTS

For the Year Ended December 31, 2004

However, on the advice of the Plan Actuary, the University has decided to administer the plan using a smoothing approach to asset value and to fund the resulting deficiency over 15 years. On that basis, the deficiency is $3,746,000 and the annual funding payments are $386,000. This smoothing approach as recommended by the Plan Actuary was approved by the University's Board of Regents on May 30, 2005. The Special Payments Exemption Regulation specifically permits the University to make funding contributions in ex

THE UNIVERSITY OF WINNIPEG PENSION PLAN

RESPONSIBILITY FOR FINANCIAL REPORTING

The management of The University of Winnipeg is responsible for the preparation and presentation of the financial statements and accompanying notes. The financial statements have been prepared in accordance with the accounting principles stated in the financial statements and approved by the Pension Committee.

As management is responsible for the integrity of the financial statements, management has established systems of internal control to provide reasonable assurance that assets are properly accounted for and safeguarded from loss.

In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgement regarding all necessary estimates and all other data available at the time of preparing the financial statements.

(Original signed by Stephen Willetts)	*(Original signed by B. Douglas Prophet)*
Stephen Willetts, CPFA Vice-President (Finance & Administration)	B. Douglas Prophet, CA Executive Director, Financial Services

June 17, 2005

INTERNATIONALLY MILLIMAN GLOBAL

Eckler Partners Ltd.

Consultants and Actuaries

ACTUARY'S OPINION

Eckler Partners Ltd. has been retained by the University of Winnipeg to ... valuation of ... University of Winnipeg Pension Plan (the "Plan") as at December 31, 2004 ... 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 17, 2005

STATEMENT I

UNIVERSITY OF WINNIPEG PENSION PLAN

Statement of Financial Position

December 31, 2004, with comparative figures for 2003

Assets

	2004	2003
Cash	$ 572,883	$ 480,947
Contributions receivable:		
Members	122,018	79,925
University	147,953	160,485
Investment income receivable	15,340	13,948
Investments (schedule A)	115,136,985	107,611,573
	$ 115,995,179	$ 108,346,878

Liabilities and Net Assets

STATEMENT II

UNIVERSITY OF WINNIPEG PENSION PLAN

Statement of Changes in Net Assets

Year ended December 31, 2004, with comparative figures for 2003

	2004	2003
Increase in assets:		
Contributions (note 6):		
Members	$ 1,724,677	$ 1,587,306
University	1,978,704	1,722,380
Investment income	4,684,670	3,872,486
Current period change in fair value of investments	3,182,664	26,032,451
Net realized gain on sale of securities	2,291,240	–
	13,861,955	33,214,623
Decrease in assets:		
Net realized loss on sale of securities	–	17,250,661
Benefits paid to retired members	4,374,780	4,207,753
Refunds and transfers to other plans	1,196,831	657,691
Administrative expenses:		
Investment managers' fees	417,749	342,142
Actuarial fees	68,245	24,235
Administrator's fees	31,029	22,904
Custodial fees	45,784	52,701
Other expenses	116,246	133,978
	679,053	575,960
	6,250,664	22,692,065
Net increase in assets	7,611,291	10,522,558
Net assets, beginning of year	108,209,554	97,686,996
Net assets, end of year	$ 115,820,845	$ 108,209,554

See accompanying notes to financial statements.

UNIVERSITY OF WINNIPEG PENSION PLAN

Summary of Investments

Year ended December 31, 2004, with comparative figures for 2003

	2004			2003		
	Fair value	Cost	% Fair value	Fair value	Cost	% Fair value
Defined benefit:						
Fixed income	$ 46,405,202	$ 45,093,606	44.56	$ 42,016,193	$ 41,457,380	42.66
Canadian equities	33,821,670	25,521,470	32.47	28,224,266	21,726,616	28.65
U.S. equities	9,524,415	7,246,469	9.14	11,704,169	9,344,034	11.88
International equities	13,261,267	10,089,581	12.73	14,597,334	11,653,795	14.82
Short-term	1,142,789	1,116,618	1.10	1,963,450	1,931,011	1.99
	104,155,343	89,067,744	100.00	98,505,412	86,112,836	100.00
Defined contribution	10,981,642	10,031,636	100.00	9,106,161	8,748,727	100.00
Total investments	$ 115,136,985	$ 99,099,380	100.00	$ 107,611,573	$ 94,861,563	100.00

SCHEDULE B

UNIVERSITY OF WINNIPEG PENSION PLAN

Segmented Changes in Net Assets

Year ended December 31, 2004

	Defined benefit	Defined contribution	Total
Increase in assets:			
Contributions			
Members	$ 1,005,567	$ 719,110	$ 1,724,677
University	1,255,207	723,497	1,978,704
Investment income	4,428,005	256,665	4,684,670
Current period change in fair value of investments	2,677,918	504,746	3,182,664
Net realized gain on sale of securities	2,203,415	87,825	2,291,240
	11,570,112	2,291,843	13,861,955
Decrease in assets:			
Benefits paid to retired members	4,374,780	–	4,374,780

1. Description of the pension plan:

The following description of the University of Winnipeg Pension Plan (the Plan) is a summary

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 University of Winnipeg Pension Plan was completed as at December 31, 2004.

The actuarial valuation at December 31, 2004 confirms that the defined benefit segment of the Pension Plan has a solvency deficiency of $15,140,000.

The University would normally be required under the *Pension Benefits Act* to make additional annual payments of $3,435,000 over a five year period to retire the solvency deficiency. However, the Provincial Government has provided the University with an amnesty in respect of these payments. Under this amnesty, the Government has, by Order in Council (No.192/2005), made a regulatory change (Regulation 75/2005 under the *Pension Benefits Act*) that enables the University to elect to defer the annual solvency payments over the next three years, thus providing time for the Government and the University to recommend a resolution to the solvency issue. It is expected that the University will make such an election pursuant to the Order in Council.

The Special Payments Exemption Regulation (the Regulation) also requires that the going-concern valuation at December 31, 2004 be reported to the Pension Commission using market value for assets and requiring any deficiency in this valuation to be funded over no more than 10 years rather than the normal 15 years. On this basis, the going-concern deficiency at December 31, 2004 is $1,988,000 and the annual funding payments are $268,000.

2. Significant accounting policies (continued):

However, on the advice of the Plan Actuary, the University has decided to administer the plan using a smoothing approach to asset value and to fund the resulting deficiency over 15 years. On that basis, the deficiency is $3,746,000 and the annual funding payments are $386,000. This smoothing approach as recommended by the Plan Actuary was approved by the University's Board of Regents on May 30, 2005. The Regulation specifically permits the University to make funding contributions in excess of the minimum provided.

Because of the going-concern deficiency, the University is also required to make additional contributions of $166,000 in 2005, $178,000 in 2006 and $187,000 in 2007 to cover the current service shortfall.

As referred to in note 8, the University has already agreed with stakeholders to make an additional contribution of $600,000 in 2005. This will be used to cover the going-concern deficiency payment and the current service shortfall for 2005, with the balance being used to partially offset the payments in 2006.

During 2005, amendments were made to the *Pension Benefits Act* which will affect the benefits payable from the Plan. These amendments have yet to be proclaimed and the corresponding regulations have yet to be published but, based on a preliminary interpretation, the Plan's Actuary estimates that these changes will add approximately $1,100,000 to the actuarial present value of accrued benefits at December 31, 2004 and would increase the annual funding payments to approximately $500,000.

(b) Investments:

Investments are stated at fair value. In determining fair values, adjustments have not been made for transaction costs as they are not considered to be significant. The change in the difference between the fair value and cost of investments at the beginning and end of each year is reflected in the statement of changes in net assets as the current period change in fair value of investments.

Fair values of investments are determined as follows:

Bonds and equities are valued at year end quoted market prices where available. Where quoted prices are not available, estimated fair values are determined using comparable securities.

Short-term notes, treasury bills and term deposits maturing within a year are stated at cost, which together with accrued interest income approximates fair value given the short-term nature of these investments.

2. Significant accounting policies (continued):

(c) Net realized gain (loss) on sales of investments:

The net realized gain (loss) on sales of investments is the difference between proceeds received and the average cost of investments sold.

(d) Investment income:

Investment income, which is recorded on the accrual basis, includes interest income and dividends.

(e) Foreign currency translation:

The fair values of foreign currency denominated investments included in the statement of net assets are translated into Canadian dollars at year end rates of exchange. Gains and loses arising from translations are included in the change in fair value of investments.

Foreign currency denominated transactions, as well as cost amounts included in schedule B to the financial statements are translated into Canadian dollars at the rates of exchange in effect on the dates of the related transactions.

(f) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

3. Risk management:

Defined benefit:

Fair values of investments and therefore the Plan's financial position 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.

5. **Obligation for pension benefits:**

(a) Defined benefit obligation:

The actuarial present value of accrued pension benefits under the defined benefit component 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, 2004 by Eckler Partners Ltd., a firm of consulting actuaries.

	2004	2003

5. Obligation for pension benefits (continued):

The actuarial value of net assets available for benefits for 2003 and 2004 uses market value.

	2004	2003
	(In thousands)	
Market value of net assets	$ 104,813	$ 99,095

The assumptions used in determining the actuarial value of accrued benefits in the valuation at December 31, 2001 and the extrapolation to December 31, 2004 were developed by reference to expected long-term market conditions. Significant actuarial assumptions used in the valuation were:

Rate of return on investments	- pre-retirement	7%
	- post-retirement	6%
Rate of salary increase	- 2002	2%
	- thereafter	5%

The assumptions used in determining the actuarial value of accrued benefits in the valuation at December 31, 2004 were developed by reference to expected long-term market conditions. Significant actuarial assumptions used in the valuation were:

Rate of return on investments	- pre-retirement	6.5%
	- post-retirement	6%
Rate of salary increase	- 2005	2.5%
	- 2006	3%
	- thereafter	4%

(b) Defined contribution obligation:

The obligation for pension benefits under the defined contribution component will always be equal to the net assets in each Member's account. Therefore, no surplus or deficiency arises from fluctuations in the investment market.

5. Obligation for pension benefits (continued):

The following summarized the changes in the defined contribution component of the

8. Agreement between the University and pension plan stakeholders (continued):

(c) The sections of Plan Amendment 2001/1 that were implemented remain unchanged. This includes pension contribution holidays taken, partial distribution of surplus to employees remaining in the defined benefit segment of the Plan, creation of a defined contribution segment of the Plan and the related transfer of full surplus share to those Members who elected to move from the defined benefit to the defined contribution segment of the Plan.

(d) Required University contributions to the defined benefit segment of the Plan were modified as follows:

(i) The University pays both employee and University required contributions in respect of defined benefit Members who are in receipt of long-term disability benefits, effective April 1, 2003.

(ii) The University's required contributions for defined benefit members were increased to 6.5 percent of pensionable salary less 1.8 percent of Canada Pension Plan contributory earnings effective April 1, 2003, and to 7 percent less 1.8 percent of Canada Pension Plan contributory earnings effective April 1, 2004.

(e) The University made a special payment of $638,000 in April 2003 direct to pensioners and active members of the defined benefit segment of the Plan as part of the final agreement.

The provisions of the agreement that remain outstanding are:

(a) Establishment of a Board of Trustees to oversee administration of the Pension Plan, subject to the filing of a Plan amendment and its approval by the Manitoba Pension Commission.

(b) The University will make an additional contribution of $600,000 into the defined benefit segment of the Pension Plan by no later than July 2005 or as soon thereafter as regulatory approval is secured.

The University filed the Plan Amendment with the Manitoba Pension Commission that implements the above Agreement in 2004.