Financial Statements of

UNIVERSITY OF WINNIPEG PENSION PLAN

Year ended December 31, 2005

THE UNIVERSITY OF WINNIPEG
PENSION PLAN

FINANCIAL STATEMENTS

For the Year Ended December 31, 2005

University of Winnipeg Pension Plan

Report on Financial Statements

Report of the Vice-President Finance & Administration

During the year ending December 31, 2005, the Pension Plan experienced a 9.75% increase in net assets. This was due to improved investment returns during the year. However, the going concern deficiency worsened with the deficiency amounting to $4.2 million at December 31, 2005 ($3.8 million – December 31, 2004). This arose primarily as a result of the smoothing adjustment in the determination of the smoothed value of assets increasing by $5.7 million to $7.2 million during the year. In effect, the smoothed value of assets acts as a reserve against future fluctuations in the market value of the net assets and therefore reflects an improvement in

In respect to the continuing discussions with the Provincial Government regarding a resolution to the solvency deficiency and funding issues, there have been no further developments during the year ended December 31, 2005 and to the date of this report.

(Original signed by Stephen Willetts)

Stephen A. Willetts, CPFA
Vice-President (Finance & Administration)
The University of Winnipeg

May 10, 2006

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

May 10, 2006

UNIVERSITY OF WINNIPEG PENSION PLAN

Statement of Financial Position

December 31, 2005, with comparative figures for 2004

	2005	2004
Assets		
Cash	$ 744,625	$ 572,883
Contributions receivable:		
Members	125,300	122,018
University	149,414	147,953
Investment income receivable	19,537	15,340
Investments (schedule A)	126,191,508	115,136,985
	$ 127,230,384	$ 115,995,179
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	$ 175,283	$ 174,334
Net assets	127,055,101	115,820,845
Continuity of operations [note 2(a)(ii)]		
	$ 127,230,384	$ 115,995,179

See accompanying notes to financial statements.

On behalf of the Board of Regents:

(Original signed by Richard Graydon)
________________________ Director

(Original signed by Lloyd Axworthy)
________________________ President and Vice-Chancellor

UNIVERSITY OF WINNIPEG PENSION PLAN

Statement of Changes in Net Assets

Year ended December 31, 2005, with comparative figures for 2004

	2005	2004
Increase in assets:		
Contributions (note 6):		
Members	$ 1,808,568	$ 1,724,677
University (note 8f)	2,677,800	1,978,704
Investment income	7,121,867	4,684,670
Current period change in fair value of investments	5,399,731	3,182,664
Net realized gain on sale of securities	1,847,591	2,291,240
	18,855,557	13,861,955
Decrease in assets:		
Benefits paid to retired members	4,729,736	4,374,780
Refunds and transfers to other plans	2,258,211	1,196,831
Administrative expenses:		
Investment managers' fees	423,833	417,749
Actuarial fees	27,259	68,245
Administrator's fees	28,909	31,029
Custodial fees	45,076	45,784
Other expenses	108,277	116,246
	633,354	679,053
	7,621,301	6,250,664
Net increase in assets	11,234,256	7,611,291
Net assets, beginning of year	115,820,845	108,209,554
Net assets, end of year	$ 127,055,101	$ 115,820,845

See accompanying notes to financial statements.

UNIVERSITY OF WINNIPEG PENSION PLAN

Summary of Investments

Year ended December 31, 2005, with comparative figures for 2004

	2005			2004		
	Fair value	Cost	% Fair value	Fair value	Cost	% Fair value
Defined benefit:						
Fixed income	$ 50,444,147	$ 48,713,255	44.81	$ 46,405,202	$ 45,093,606	44.56
Canadian equities	38,027,875	25,853,562	33.78	33,821,670	25,521,470	32.47
U.S. equities	9,572,611	7,249,637	8.50	9,524,415	7,246,469	9.14
International equities	13,718,413	10,389,382	12.18	13,261,267	10,089,581	12.73
Short-term	825,349	808,590	0.73	1,142,789	1,116,618	1.10
	112,588,395	93,014,426	100.00	104,155,343	89,067,744	100.00
Defined contribution	13,603,113	11,765,714	100.00	10,981,642	10,031,636	100.00
Total investments	$ 126,191,508	$104,780,140	100.00	$ 115,136,985	$ 99,099,380	100.00

UNIVERSITY OF WINNIPEG PENSION PLAN
Segmented Changes in Net Assets

Year ended December 31, 2005

	Defined benefit	Defined contribution	Total
Increase in assets:			
Contributions			
Members	$ 990,189	$ 818,379	$ 1,808,568
University	1,854,854	822,946	2,677,800
Investment income	6,640,075	481,792	7,121,867
Current period change in fair value of investments	4,512,339	887,392	5,399,731
Net realized gain on sale of securities	1,795,887	51,704	1,847,591
	15,793,344	3,062,213	18,855,557
Decrease in assets:			
Benefits paid to retired members	4,729,736	–	4,729,736
Refunds and transfers to other plans	1,838,626	419,585	2,258,211
Administrative expenses:			
Investment managers' fees	423,833	–	423,833
Actuarial fees	27,259	–	27,259
Administrator's fees	28,909	–	28,909
Custodial fees	45,076	–	45,076
Other expenses	98,369	9,908	108,277
	623,446	9,908	633,354
	7,191,808	429,493	7,621,301
Net increase in assets	8,601,536	2,632,720	11,234,256
Net assets, beginning of year	104,772,057	11,048,788	115,820,845
Net assets, end of year	$ 113,373,593	$ 13,681,508	$ 127,055,101

1. **Description of the pension plan:** .0692 The following description of the Ur

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 three years, commencing January 1, 2005, thus providing time for the Government and the University to recommend a resolution to the solvency issue. The University made such an election on September 27, 2005.

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 at December 31, 2004 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.

The smoothed asset values are as follows:

	2005	2004
	(In thousands)	
Assets at market value	$ 113,374	$ 104,772
Smoothing adjustment	(7,436)	(1,717)
Smoothed value of assets	$ 105,938	$ 103,055

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 had agreed with stakeholders to make an additional contribution of $600,000 in 2005. This was used to cover the going-concern deficiency payment and the current service shortfall for

(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.

(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.

(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

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, and the results of this valuation were extrapolated by them to December 31, 2005 as follows:

	2005	2004
	(In thousands)	

5. Obligation for pension benefits (continued):

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

		2005		2004
		(In thousands)		
Market value of net assets	$	113,374	$	104,772

The assumptions used in determining the actuarial value of accrued benefits in the valuation at December 31, 2004 and the extrapolation to December 31, 2005 were developed by reference to expected long-Deceeearket conditions. Significant actuarial assumptions used in the valuation were:

		2005	2004
Rate of return on investments	- pre-retirement	6.5%	6.5%
	- post-retirement	6.0%	6.0%
Rate of salary increase	- 2005	N/A	2.5%
	- 2006	3.0%	3.0%
	- thereafter	4.0%	4.0%

(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 under

6. Funding policy:

The University's regular contribution is 7.0% of pensionable salary to the defined benefit component and 6.0% to the defined contribution component less an adjustment, in each case, for the Canada Pension Plan. For Members receiving long-term disability benefits, the University pays the employee contributions as well as its own contributions. In addition, the University is responsible for any additional contributions required under the *Pension Benefits Act.*

7. Related party transactions:

The University of Winnipeg charges benefit administration costs to the Plan. The charge for 2005 was $54,185 (2004 - $53,075). Other administration services including accounting and secretarial services are provided by the University of Winnipeg at no

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Regents resolution of December 4, 2000.

In the period 200323.T2005, provisions of t

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

(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.

(f) The University made an additional contribution of $600,000 into the defined benefit segment of the Pension Plan in July 2005.

The provision of the agreement that remains outstanding is the establishment of a Board of Trustees to oversee administration of the Pension Plan, subject to the filing of a Plan amendment and its