Financial Statements of

UNIVERSITY OF WINNIPEG PENSION PLAN

Year ended December 31, 2008

THE UNIVERSITY OF WINNIPEG

THE UNIVERSITY OF WINNIPEG
PENSION PLAN
FINANCIAL STATEMENTS
For the Year Ended December 31, 2008

PAGE

Financial Statements

THE UNIVERSITY OF WINNIPEG

University of Winnipeg Pension Plan

[illegible]

[illegible]

[illegible]

... to pay out the amounts withheld along with prescribed interest in ... [illegible]

Investment markets were challenging in 2008, as reflected in the current period change in the fair value of investments (decline of $27.0 million) and decreased investment income.

The Plan's Actuary prepared a valuation of the Pension Plan as at December 31, 2007, which was updated to December 31, 2008. The valuation reports a deterioration of the going-concern deficiency increasing to $5.8 [illegible]

[illegible]

Pension Plans Exemption Regulation (Regulation 141/2007).

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 [illegible] administration of the fund on July 7, 2008.

On December 8, 2006, the Superintendent of Pensions of Manitoba issued an Order requiring the University to pay a lump sum in the amount of $6.454,000 plus interest as set out in the Pension Benefits Act to certain [illegible] $6.8 and $11.9 million.

The University appealed the Superintendent's decision to the Manitoba Pension Commission and the Commission upheld the Order on April 22, 2008. The University further appealed the decision to the Manitoba Court of Appeal, which appeal was denied in January 2009. The Court's decision set out a deadline [illegible] Trustees has been sent to the Superintendent requesting clarification of several issues, including what rate of interest should be applied, what form the payment should take (lump sum to eligible members or improvement to benefits), and whether the payment must be made through the Plan.

The net impact of the payment on the Plan is expected to be nil as any payments from or increased liability to [illegible] financial statements of the Plan as it has not been determined what form the payment will take or if it will [illegible]

THE UNIVERSITY OF
WINNIPEG

THE UNIVERSITY OF WINNIPEG PENSION PLAN

[illegible]

[illegible] 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 Bill Balan) *(Original signed by Michael Emslie)*

Bill Balan
Vice-President (Finance & Administration)

Michael Emslie, CA
Controller and Executive Director

May 21, 2009

Eckler Ltd.
2475 – One Lombard Place
Winnipeg, Manitoba R3B 0X3

CONSULTANTS + ACTUARIES

www.eckler.ca

Eckler Ltd. had 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 [illegible] that valuation for [illegible] the Plan's financial statements. Eckler Ltd. has been retained by The Board of Trustees of the University of Winnipeg Trusteed Pension Plan Trust to prepare an extrapolation of the results of that valuation to December 31, 2008 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 and extrapolation have been prepared and my opinion given in accordance with accepted actuarial practice.

May 19, 2009 — *(Original signed by A. Douglas Poapst)*

Date — A. Douglas Poapst

Fellow of the Institute of Actuaries

Fellow of the Canadian Institute of Actuaries

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AUDITORS' REPORT

To the Legislative Assembly of Manitoba

[illegible]

[illegible]

Pension Plan as at December 31, 2008, and the statements of changes in net assets available for [illegible] management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the [illegible] evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the net assets available for benefits position of the Plan as at December 31, 2008 and the changes in its net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

The financial statements for the year ended December 31, 2007 were audited by another firm of [illegible]

KPMG LLP

Chartered Accountants

Winnipeg, Canada

April 3, 2009

STATEMENT I

UNIVERSITY OF WINNIPEG PENSION PLAN

[illegible]

December 31, 2008, with comparative figures for 2007

	2008	2007
Assets		
Cash	$333,078	$622,647
Contributions receivable:		
Members	72,552	123,632
University	90,056	143,848
Investment income receivable	48,857	50,337
Investments (schedule A)	111,033,973	135,274,704
	$111,578,516	$136,215,168
Liabilities		
Accounts payable	$104,510	$152,373
Refunds and transfers payable (note 8)	-	1,018,390
	$104,510	$1,170,763
Net Assets Available for Benefits	$111,474,006	$135,044,405

Continuity of operations [note 2(a)(ii)]

[illegible]

(Original signed by Lloyd Axworthy) President and Vice-Chancellor (Original signed by Henry Hudek) Vice-Chair

STATEMENT II

UNIVERSITY OF WINNIPEG PENSION PLAN

Statement of Changes in Net Assets Available for Benefits

[illegible]

Contributions (note 6):		
Members	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
Investment income	6,969,747	8,647,240
Current period change in fair value of investments	(27,593,759)	(11,202,572)
Net realized gain on sale of investments	894,827	3,417,618
	(14,459,553)	5,655,998
Benefits paid to retired members	5,630,043	5,200,515
Refunds and transfers	[illegible]	[illegible]
Administrative expenses:		
Investment managers' fees	404,969	470,922
Actuarial fees	[illegible]	[illegible]
Administrator's fees	31,417	24,287
Custodial fees	46,837	27,279
Other	[illegible]	[illegible]
	641,107	723,554
	9,110,846	10,408,897
[illegible]	[illegible]	[illegible]
Net assets available for benefits, beginning of year	135,044,405	139,797,304
[illegible]	[illegible]	[illegible]

See accompanying notes to financial statements.

SCHEDULE A

UNIVERSITY OF WINNIPEG PENSION PLAN

Summary of Investments

December 31, 2008, with comparative figures for 2007

	2008			2007		
	Cost	Fair value	% Fair value	Cost	Fair Value	% Fair value
Defined benefit:						
Fixed income	$47,499,981	$47,692,091	50.22	$55,739,410	$55,646,470	47.72
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Short-term	409,039	396,998	0.43	845,854	809,832	0.72
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total investments	$111,033,973	$123,210,861	100.00	$135,274,704	$119,801,435	100.00

SCHEDULE B

UNIVERSITY OF WINNIPEG PENSION PLAN

[illegible]

[illegible]

	Defined Benefit Segment	Defined Contribution Segment	Total
Increase (decrease) in assets:			
Contributions			
Members	$923,914	$1,240,322	$2,164,236
University	1,846,551	1,258,845	3,105,396
Investment income	6,490,725	479,022	6,969,747
Current period change in fair value of investments	(23,325,447)	(4,268,312)	(27,593,759)
Net realized gain on sale of investments	826,332	68,495	894,827
	(13,237,925)	(1,221,628)	(14,459,553)
Decrease in assets:			
Benefits paid to retired members	5,630,043	-	5,630,043
Refunds and transfers	1,980,069	859,627	2,839,696
Administrative expenses:			
Investment managers' fees	-	404,969	404,969
Actuarial fees	18,290	-	18,290
Administrator's fees	31,417	-	31,417
Custodial fees	46,837	-	46,837
Other expenses (note 7)	119,725	19,869	139,594
	621,238	19,869	641,107
	8,231,350	879,496	9,110,846
Net decrease in net assets available for benefits	(21,469,275)	(2,101,124)	(23,570,399)
Net assets available for benefits, beginning of year	116,484,801	18,559,604	135,044,405
Net assets available for benefits, end of year	$95,015,526	$16,458,480	$111,474,006

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, Trust Agreement and Transition Agreement.

[illegible] The Plan was established as a contributory defi[illegible]

On July 7, 2000 responsibility for [illegible] administration was transferred to a Board of Trustees. The Board which includes representatives from stakeholder groups is responsible for all decisions related to the plan, except those that would cause an increase in the University's contribution rate.

Prior to the transfer of responsibilities, a pension committee oversaw the administration of the Plan [illegible] monitored the investments with the assistance and advice of the investment committee, and made 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 [illegible]

The annual pension payable [illegible] five year average earnings and years of credited service.

Plan members at December 31, 2000, were given the option to remain in the defined benefit segment of the Plan or convert their accrued benefits to the newly formed defined contribution segment of the Plan. All new employees hired after that date are required to become members of the defined contribution segment of the Plan.

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 [illegible]

2. **Significant accounting policies (continued):**

(ii) Continuity of operations:

The financial statements do not take into account actuarial valuations and therefore do not [illegible] 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 [illegible] to be $43,936,000 at December 31, 2008.

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 [illegible] Commission provided the University with confirmation of a permanent exemption from meeting the solvency funding requirements.

As part of the discussions with government in the period leading up to the exemption, it was agreed that the annual funding requirement for the going concern deficiency identified in the 2004 valuation be maintained until the deficiency is eliminated. The going concern deficiency at December 31, 2004 was $3,746,000 and the annual funding payments are $386,000. While the remaining going concern deficiency has declined to $2,364,000 at December 31, 2007, the University will continue to make annual contributions of $386,000 until the deficiency is [illegible]

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

[illegible]		
Smoothed value of net assets	$ 114,489,000	$ 116,825,000

Because of the going concern deficiency at December 31, 2007, the University is also required [illegible]

service shortfall.

[illegible]

preliminary interpretation, the Plan's Actuary had estimated that these changes would add [illegible]

[illegible]

active member retirements.

The obligation for pension benefits [note 5(a)] exceeds the smoothed value of net assets at December 31, 2008 as follows:

	2008	2007
Smoothed value of net assets	$ 114,489,000	$ 116,825,000
Obligation for pension benefits [note 5(a)]	$(120,328,000)	$(119,209,000)
[illegible] to the smoothed value of net assets	[illegible]	[illegible]

(b) Investments:

[illegible] for transaction costs as they are not considered to be significant. The change in the difference [illegible]

[illegible]

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.

[illegible] together with accrued interest income approximates fair value given the short-term nature of these investments.

[illegible]

(c) Net realized gain on sale of investments:

The net realized gain on sale of investments is the difference between proceeds received and the [illegible]

(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 available for benefits are translated into Canadian dollars at year-end rates of exchange. [illegible] Gains and losses arising from translations are included in the change in fair value of investments.

[illegible] schedule A to the financial statements, are translated into Canadian dollars [illegible]

[illegible]

Transaction costs are incremental costs directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. Transaction costs incurred are expensed and included in the change in net unrealized gains or losses.

(g) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions [illegible] disclosure of contingent assets and liabilities at the date of the financial statements and the [illegible] estimates.

[illegible]

The carrying values of all other financial assets and liabilities approximate their fair market values [illegible]

[illegible]

[illegible] Presentation. Section 3862 places increased emphasis on disclosures about the nature and extent of risks arising from recognized and unrecognized financial instruments and how the Plan manages [illegible] unchanged the presentation requirements of Section 3861.

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 of $4,311,163 ($4,254,119 – 2007) with maturity dates varying from 2010 to 2105 and interest rates varying from 4.50% to 11.10% and pooled fixed income funds of $43,188,818 ($51,485,291 – 2007). [illegible]

The members of the defined contribution plan select their own investments and have the right to [illegible] contribution segment of the Plan.

[illegible]

[illegible] following risks:

(a) Market risk

i. Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair value of financial instruments. Interest rate risk arises when the Plan invests in interest-bearing financial assets. The Plan is exposed to the risk that the value of such financial assets will fluctuate due to changes in the prevailing levels of market interest rates.

ii. Foreign currency risk

[illegible] dollar against these foreign currencies can result in a positive or a negative effect on the fair value of investments.

iii. Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk).

[illegible]

Liquidity risk is the possibility that investments in the Plan cannot be readily converted into cash when required. [illegible]

4. **Risk management (continued):**

Defined Benefit

(a) Market risk

i. Interest rate risk

The Plan's exposure to interest rate risk is concentrated in its investments in bonds and debentures and short-term notes and deposits. To manage the Plan's interest rate risk, [illegible] monitored by the Board of Trustees. As at December 31, 2008, if the prevailing interest rates were raised or lowered by 100 basis points, with all other factors held constant, net assets would be estimated to decrease or increase, respectively, by approximately $2,815,000. The Plan's interest rate sensitivity was determined based on portfolio weighted duration.

ii. Foreign currency risk

The Plan and its investment managers have the ability to utilize derivative instruments to mitigate foreign currency risk, subject to the approval of the Plan's Investment Committee. The Plan is exposed to fluctuations in the U.S. dollar, Japanese yen and European currencies, notably the Euro and British pound sterling.

The Plan's exposure to foreign currencies to Canadian dollars is shown below:

As at December 31, 2008	Actual currency exposure	%
Canadian	$75,871,946	80.2%
US dollar	8,683,704	9.2%
Euro	2,297,907	2.4%
Japanese yen	1,868,217	2.0%
British pound sterling	1,644,031	1.7%
Swiss franc	1,440,845	1.5%
Other currencies	2,802,326	3.0%
	[illegible]	100.0%

[illegible] result in a change in unrealized gains (losses) of approximately $1,870,000 as at December 31, 2008.

iii. Other price risk

To manage the Plan's other price risk, appropriate guidelines on asset diversification to [illegible]

The risk of default is considered minimal, as delivery of securities sold is only made once the investment manager has received payment. Payment is made on a purchase once the securities have been received by the investment manager. The trade will fail if either party fails to meet its obligation. The breakdown of the Plan's fixed income portfolio by credit ratings from various rating

	2008
Credit rating	Market value
AAA	$22,395,682
AA	9,246,023
A	12,584,317
B – BBB	3,760,898
	$47,986,920

(c) Liquidity risk

Liquidity risk is managed by investing the majority of the Plan's assets in investments that are traded in an active market and can be readily disposed.

The table below summarizes the market value by the earliest contractual maturity of the Plan's fixed income investments:

	2008
Less than one year	$1,104,779
One to five years	20,408,655
After five years	26,473,486
Total fair value	$47,986,920

[illegible]

4. Risk management (continued)

Defined Contribution

[illegible] fund's performance by regularly monitoring the fund's positions, market events and making [illegible] investment guidelines. The following is a list of the potential risks individual funds may be exposed to:

[illegible]	[illegible]	[illegible]	Risk	Rate Risk	Risk	Risk
CC&L Group Bond Fund	437,711	X	X	X		X
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fidelity Global	221,348	X	X	X	X	X
Fidelity True North Fund	1,375,645	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
LM Western Asset Income	443,261	X		X		X
MB Bal Growth Fund C	1,369,012		X			X
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
MB Fixed Income Fund	385,787			X		
MB Global Equity Fund C	113,833		X			X
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
UBS US Equity Fund	241,450		X			X
	16,445,997					

5. Obligation for pension benefits:

(a) Defined benefit obligation:

[illegible]

The results were extrapolated by them to December 31, 2008. Excluding the obligation with respect to the Revised Order of the Superintendent of Pensions (see note 9), the extrapolation of the actuarial present value of the pension benefits as at December 31, 2008 and the principal [illegible]

	2008	2007
[illegible] benefits, beginning of year	$ 119,209,000	$ 113,891,000
Interest accrued on benefits	6,871,000	6,925,000
Pension increase	-	1,075,000
Benefits accrued	2,434,000	2,294,000
Benefits paid, refunds and transfers	(7,610,000)	(9,200,000)
Actuarial loss/(gain)	(576,000)	4,224,000
[illegible] benefits, end of year	$ 120,328,000	$ 119,209,000

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 2008, there was no excess rate of return since the rate of return was less than 6% based on smoothed asset values, therefore, there is no pension increase in respect to 2008.

The pension increase payable to pensioners in respect of 2007 of 2.38% was effective July 1 [illegible]

The actuarial gain in 2008 of $576,000 was measured on an overall basis by comparing an [illegible]

5. Obligation for pension benefits (continued):

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

	2008	2007
Market value of net assets	$ 95,016,000	$116,485,000

The assumptions used in determining the actuarial value of accrued benefits in the valuation at December 31, 2007 and the extrapolation to December 31, 2008 were developed by reference to expected long-term market conditions. Significant actuarial assumptions used in the valuation were:

		2008	2007
Rate of return on investments	- pre-retirement	6.0%	6.0%
	- post-retirement	5.75%	5.75%
[illegible]	[illegible]	[illegible]	[illegible]
	- thereafter	4.0%	4.0%

[illegible]

The obligation for pension benefits under the defined contribution segment will always be equal to [illegible] fluctuations in the investment market.

The following summarizes the changes in the defined contribution segment of the Plan:

	2008	2007
Balance, beginning of year	$ 18,560,000	$ 16,561,000
Contributions	[illegible]	2,110,000
Refunds and transfers	(860,000)	(486,000)
Net investment return (loss)	(3,741,000)	375,000
Balance, end of year	$ 16,458,000	$ 18,560,000

[illegible]

The University's regular contribution is 7.0% of pensionable salary to the defined benefit segment and [illegible] 6.0% to the defined contribution segment 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 charges benefit administration costs to the Plan. The charge for 2008 was $60,000 ...

... exchange amount, which is the amount of consideration established and agreed to by the related parties.

8. Refunds and transfers payable:

Liabilities include a withheld portion of lump sum payments in the amount of $0 (2007 - $1,018,000). The 2007 amount was payable to former Plan members who elected to receive a commutation of their earned pensions during the period commencing June 24, 2005 through to December 31, 2007. The University's funding ratio was 87.4% (reported in the actuarial valuation dated December 31, 2004). Under the provisions of the Pension Benefits Act, the University was required to withhold 12.6% of the lump sum payments that were issued from the Plan.

In February 2008, the Manitoba Pension Commission provided the University with confirmation of a permanent exemption from meeting the solvency funding requirements and accordingly, the University paid the amounts withheld along with prescribed interest.

9. Subsequent event:

On December 3, 2008 the Superintendent of Pensions of Manitoba issued an Order requiring the University to pay a lump sum amount of $6,454,000, plus interest in respect to the distribution of a surplus dating back to 2000 to certain plan members. The University appealed the Order to the Manitoba Pension Commission ... As a result of the appeal to the Manitoba Pension Commission, the Superintendent issued a revised Order on June 9, 2009 leaving the Order with respect to surplus distribution unchanged. The Manitoba Court of Appeal ...

The current amount of the surplus distribution ordered is not readily determinable from the Order. ...

There are issues related to the status of two past payments or distributions made after 2000 and the ...

The range of possible results is estimated to be $6.8 to $11.9 million as at December 31, 2008. The Order requires the University to contribute to the Plan the amount necessary to provide for the surplus distribution to the applicable Plan members.

... to members. There are a number of possible methods for the distribution, as of the date of the financial statements, the method to be used has not been finalized. Accordingly, the net assets ... surplus distribution, nor does the defined benefit obligation in note 5(a) include an amount for surplus distribution.