

# **THE UNIVERSITY OF WINNIPEG TRUSTEED PENSION PLAN**

**Annual Report and Financial Statements**

**For the Year Ended December 31, 2017**

THE UNIVERSITY OF WINNIPEG  
TRUSTEED PENSION PLAN

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the Year Ended December 31, 2017

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## BOARD OF TRUSTEES

For the Association of Employees Supporting Education Services (AESES):

**Barry Barske** is a retired Support employee from the Department of Psychology

**Lorne Hilton** is the Labour Relations Officer for AESES and has extensive experience and training in both Pension and Benefits Administration

For the International Union of Operating Engineers (IUOE):

**Trevor Yuriy** is the Membership Services Representative for IUOE

For the University:

**Michael Emslie** is the Vice-President (Finance & Administration)

**Colin Morrison** is the General Counsel

**Laurel Repski** is the Vice-President (Human Resources, Audit & Sustainability)

For the University of Winnipeg Excluded Employees:

**Mark Betcher** is the University's Manager, Pay and Benefits

For the University of Winnipeg Faculty Association (UWFA & UWFA-Collegiate):

**Andrew Bendor-Samuel** is an instructor in the Math & Science Tutoring Centre

**Murray Wiegand** is a Professor in Biology

**James Townsend** is a Professor in Economics

For the University of Winnipeg Retirees Association (UWRA):

**Ed Byard** is a retired Biology Professor

**Bill Evans** is a retired Biology Professor

External Trustees:

**Ray Erb** is a retired Staff Representative and Pensions & Benefits Specialist from the Manitoba Government and General Employee's Union (MGEU) where he was employed for 35 years. For the last ten years he continues to serve as Vice Chair of the Civil Service Superannuation Board and Chair of the Manitoba Home Care Employees Defined Contribution Pension Plan.

**Henry Hudek**, MBA, CFA, is a retired Vice-President, Business Development with Cardinal Capital Investment where he worked directly with the Cardinal advisor network, supporting referring advisors and their clients within Manitoba and across Western Canada.

**Ron Youngson** is the Director of Group Retirement for Onyx Financial Group, responsible for all phases of new case establishment, including plan design, investment menu selection, member communication and education.

## BOARD EXECUTIVE AND BOARD COMMITTEES

### Board Executive:

- Henry Hudek (Chair)
- Laurel Repski (Vice-Chair)
- Mike Emslie (Treasurer)
- Mark Betcher (Secretary)

### Defined Contribution Committee:

- Ron Youngson (Chair)
- Trevor Yuriy
- Laurel Repski
- Ray Erb
- Mark Betcher
- Colin Morrison
- Andrew Bendor-Samuel
- James Townsend

### Operations Committee:

- Ed Byard (Chair)
- Henry Hudek
- Laurel Repski
- Mark Betcher
- Mike Emslie
- Ray Erb
- Andrew Bendor-Samuel

### Defined Benefit Committee:

- Mike Emslie (Chair)
- Barry Barske
- Lorne Hilton
- Bill Evans
- Colin Morrison
- Ron Youngson
- Murray Wiegand
- Henry Hudek

## REPORT OF THE CHAIR

The year 2017 saw generally positive returns for most equity markets (measured in Canadian dollars) and respectable returns for most other asset classes. The Defined Benefit (DB) portion of the Plan again had a positive investment return that was greater than the rate assumed in our actuarial valuations, resulting in the Plan's liability shrinking so that funding required from the University will go down slightly in 2018. The DB portion of the Plan remains with an unfunded liability, but DB members should remember that their benefits are payable by the Plan, regardless of investment returns, and that the University is responsible for funding all liabilities.

For Defined Contribution (DC) members, exposure to equities was beneficial. All the Plan's Funds – including Target Date Funds – had a positive return for the year, many of them well into the double digits. For all of those funds which have a 5-year return, that return was positive. The Global and US Equity Funds had very good returns, generally in the strong double-digits. The bond Funds had positive returns as well, although generally lower than equity returns, demonstrating that the rewards for those prepared to tolerate the vagaries of the equity market are meaningful.

We have experienced a long period of strong returns for equities, which at some point will reverse and we will see some period of negative returns. This would be a natural occurrence, and despite the ensuing fear-mongering, should not cause angst about the long-term health of most of the equities you own. The year's investment outcomes are primarily a result of continuing strength in the global economy, but we are reaching a point where increasing interest rates in the US, and a slowing or reversal of Quantitative easing elsewhere, will occur, as central banks start to protect against fears of inflation. Modest global growth is likely to continue, but headlines will focus on the political factors, which continue to include both benign and fearsome possibilities. For those members with time horizons longer than five years, any of these issues should not be used as an excuse to refrain from long-term investing since that is what is required for members to achieve the wealth needed to fund a satisfying retirement.

We are hopeful of continuing positive investment results in 2018, but know that negative years are possible.

Henry Hudek (Chair)

## OPERATIONS COMMITTEE REPORT

The Operations Committee of the Board of Trustees serves the Board in three main areas: it acts as an audit committee, the governance committee for the Board of Trustees, and the committee responsible for Trustee education events. The Operations Committee is also responsible for ensuring that the services provided to the Pension Plan and its stakeholders are of a high quality and provided at reasonable cost. To this end competitive RFPs were conducted for Plan custodial services and audit services. Custodial services are now provided by CIBC Mellon and audit services by KPMG.

With respect to the annual audit process, the Committee reviewed the annual audit plan, met with the auditors to review the audit report, and recommended the report to the Board. The Committee also reviewed the budget for the administration of the Plan before recommending it for Board approval.

With respect to governance matters, the Committee retained external legal counsel to conduct a preliminary external assessment of governance procedures and policies. This overview of the process concluded that, in general, there were no major concerns with the approaches being taken, nor with the quality of the oversight of Plan matters. There was a recommendation that we attempt to be more transparent with our internal documentation, so, to that end, better, centralized document access via Civic Web is now available to Plan Trustees.

The Operations Committee also bears the responsibility for ensuring that our governance practices are regularly evaluated against industry best practice guidelines as outlined by the Canadian Association of Pension Supervisory Authorities (CAPSA). Further, the Plan actuary brings to the Operations Committee Pension Plan amendments from time to time that need to be reviewed and recommended to the Board of Trustees for approval.

Finally, the Operations Committee seeks to make sure that Trustees are equipped to fulfil their role by organizing and promoting Trustee education. In 2016, the Committee initiated the setting aside of a time at each Board meeting where members who had attended workshops and conferences make presentations on pertinent issues and developments in the Pension world, and this continued in 2017. The Committee also occasionally surveys Trustees to assist in addressing any gaps in knowledge as it relates to their role as a Trustee.

The Operations Committee thanks all the Trustees for their diligence in acting in the best interests of Plan members. Plan members also benefit particularly from the contribution of our external members who provide this public service to the University community. They deserve our special thanks, as does Hans Werner, who stepped down as Operations Committee Chair after several years in the position.

Ed Byard (Chair)

## DEFINED BENEFIT COMMITTEE REPORT

The assets of the Defined Benefit (DB) component of the Plan achieved positive returns in 2017; the Plan matched its benchmark with returns of 11.15%. The Plan's Canadian Equity and Real Estate managers outperformed their benchmarks in the year. The Plan's International and Emerging Market managers underperformed their benchmarks, taking a more conservative position to protect assets in the event of a downturn. Investments in Bonds were in line with their benchmark for the year.

The Committee met with several of the asset managers in the year to better understand their investment philosophy and evaluate their adherence to those philosophies in the way they manage the Plan's assets. With the help of our investment consultant from AON Hewitt, the Committee continues to monitor the asset managers quarterly. The Committee spent time this year reviewing the Statement of Investment Policy (SIP), The Plan's compliance with CAPSA guidelines and overseeing the annual plan valuation performed by the Plan Actuary.

Strong returns from the Plan over the past four years have resulted in another cost of living increase for pensioners as the average returns over the past four years exceeded 6%. Because of the strong performance of the assets, the Plan has provided cost of living increases in each of the last five years including 0.83% on July 1, 2013, 1.24% on July 1, 2014, and 1.2% on July 1, 2015, 1.61% on July 1, 2016, and 1.5% on July 1, 2017. It is expected that there will be a further cost of living increase of 1.87% effective July 1, 2018.

Mike Emslie (Chair)

### *Board of Trustees Code of Conduct*

- 1. Act in good faith and in the best interest of Plan beneficiaries*
- 2. Act with prudence and reasonable care*
- 3. Act with skill, competence and diligence*
- 4. Maintain independence and objectivity and avoid conflict of interest*
- 5. Abide by all applicable laws, rules and regulations including the terms of the Plan*
- 6. Deal fairly, objectively and impartially with all beneficiaries*
- 7. Take actions that are consistent with the established mission of the Plan*
- 8. Review on a regular basis the efficiency and effectiveness of the Plan's success in meeting its goals*
- 9. Maintain confidentiality of Plan and beneficiary information*
- 10. Communicate with beneficiaries and supervisory authorities in a timely, accurate and transparent manner*
- 11. Maintain clarity and respect in the relationship between the stakeholders and the Trustees*

## DEFINED CONTRIBUTION COMMITTEE REPORT

Over the last year, the Defined Contribution Committee undertook several activities and projects, some of which have been completed, while others are still in progress.

In early 2017, the Defined Contribution Committee (DC) invited Defined Contribution members to participate in an opinion survey on a variety of topics related to their satisfaction with the DC pension plan. The response rate to the survey was 38% (262 members). Survey results suggested that plan members are generally satisfied with their Defined Contribution Pension Plan as well as with the services provided by Sun Life. Strong support, in terms of survey results, was expressed in favour of socially responsible and ESG (Environmental, Social, Governance) investing. In response to the survey results, the DC committee launched the PH&N Fossil Fuel Free Global Equity fund on October 2, 2017. To date the uptake on the new fund has been modest, in the \$200,000 range.

At the quarterly DC Committee meetings, Sun Life service and action plan reports are reviewed. For the most part Sun Life receives a passing grade on the services they provide with respect to compliance and timelines. However, occasionally some issues arise, and in 2017 a problem with the timing of processing of member terminations was identified and the DC Committee worked with Sun Life in resolving this issue.

The Committee, in conjunction with Sun Life Investment Division, conducted an annual Investment Review. It was noted that less than 1% of total DC assets are invested in the Money Market fund which is viewed positively as it means that DC members are almost fully invested in bond, equity and/or balanced funds. The only change that was made to the DC fund line-up in 2017 is the addition of the aforementioned Fossil Fuel Free fund.

In-person member education sessions (group and one-on-one) were conducted by Sun Life. Use of on-line member education tools provided by Sun Life as well as attendance at in-person education sessions was quite low in 2017. The Committee has been looking at ways to engage members to encourage greater interest in taking advantage of available on-line tools and in-person education opportunities, and is pleased to report that attendance at in-person education sessions in 2018 was significantly improved.

Items that are currently in progress are the development of a Statement of Investment Policy and Procedures document that is specific to the Defined Contribution component of the Pension Plan. Also, consideration is underway regarding the possible addition of a Group Tax Free Savings Account (TFSA). The Committee will also continue to search out opportunities to better educate Plan members with regard to Pension Plan matters, especially surrounding the decumulation phase each member eventually faces through termination of employment or retirement.

Plan member statements are provided semi-annually. Mid-year statements are available in online format only; year-end statements are provided in hard copy, with the Plan member being able to choose an online statement in lieu of the paper statement. The Committee continues to monitor uptake of this option and in the interest of sustainability encourages all Plan members to make the change to online statements.

Ron Youngson (Chair)



## REPORT OF THE TREASURER

### Overview:

This report provides a summary of the financial performance of the University of Winnipeg Trusteed Pension Plan for the year ended December 31, 2017, including:

- A brief description of the Plan
- Summary of changes in membership
- Discussion of the change in asset values

### The Plan:

The University of Winnipeg Trusteed Pension Plan has two distinct components: the Defined Benefit (DB) component, which is closed to new members, and the Defined Contribution (DC) component, established January 1, 2000 which all new employees join upon becoming eligible.

The DB component is intended to provide members with a monthly benefit upon retirement. The benefit is calculated using a prescribed formula that takes into account:

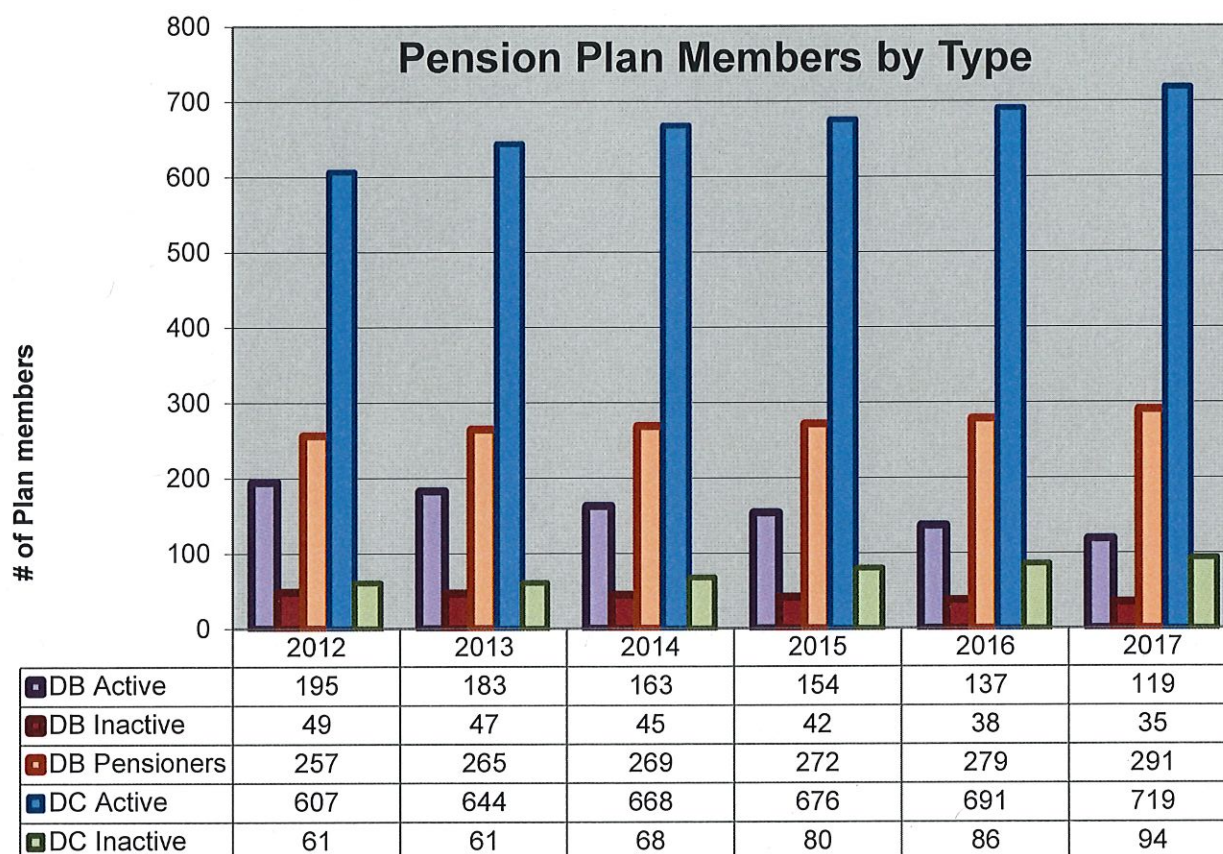
- Years of credited service
- Average pensionable salary (with a reduction for the Canada Pension Plan)

The formula pension is subject to a Plan benefit maximum of \$1,722.22 per year of pensionable service, according to the current Plan provisions. Retirement options include a choice of monthly pension from a variety of payment options, or a transfer of the Commuted Value to a LIRA (Locked-In Retirement Account) or a LIF (Life Income Fund). The DB pension benefit is funded by member and University contributions and investment earnings.

The DC component is intended to provide members with a pension benefit upon retirement that is based on contributions made by the member and the University into a range of investment choices provided through Sun Life Financial. The combination of the contributions and investment earnings provide Plan members with a lump sum value that can be transferred into another registered retirement investment vehicle, or invested through Sun Life to provide a monthly pension benefit.

For additional information relating to the University of Winnipeg Trusteed Pension Plan please go to <http://www.uwinnipeg.ca/hr/benefits/pension.html>.

The following graph shows the number of members in each Plan category for the past six years. An Inactive member is a DB or DC member who has left the University but has not yet settled his/her pension benefit.



## Financial Results

The 2017 financial statements were prepared in accordance with CICA accounting standards for Pension Plans. Markets have continued their strong performance, which has led to the sixth consecutive year of positive equity returns. When combined with contributions from the University and Plan members, the net assets of the Plan at December 31, 2017 increased by \$14.8 million to \$214.7 million, up from \$199.9 million at December 31, 2016. The DB component of the plan continues to show a large deficiency as the actuarially calculated obligations for benefits exceed the assets available for benefits by \$15.8 million (\$17.1 million for 2016).

The net return for 2017 on the Defined Benefit component, based on market value and net of expenses, was 10.4% (as compared to 9.72% for 2016). According to the smoothing calculation, which is a geometric average of returns over a four year period, the return on the fund was 8.13% (as compared to 8.95% for 2016).

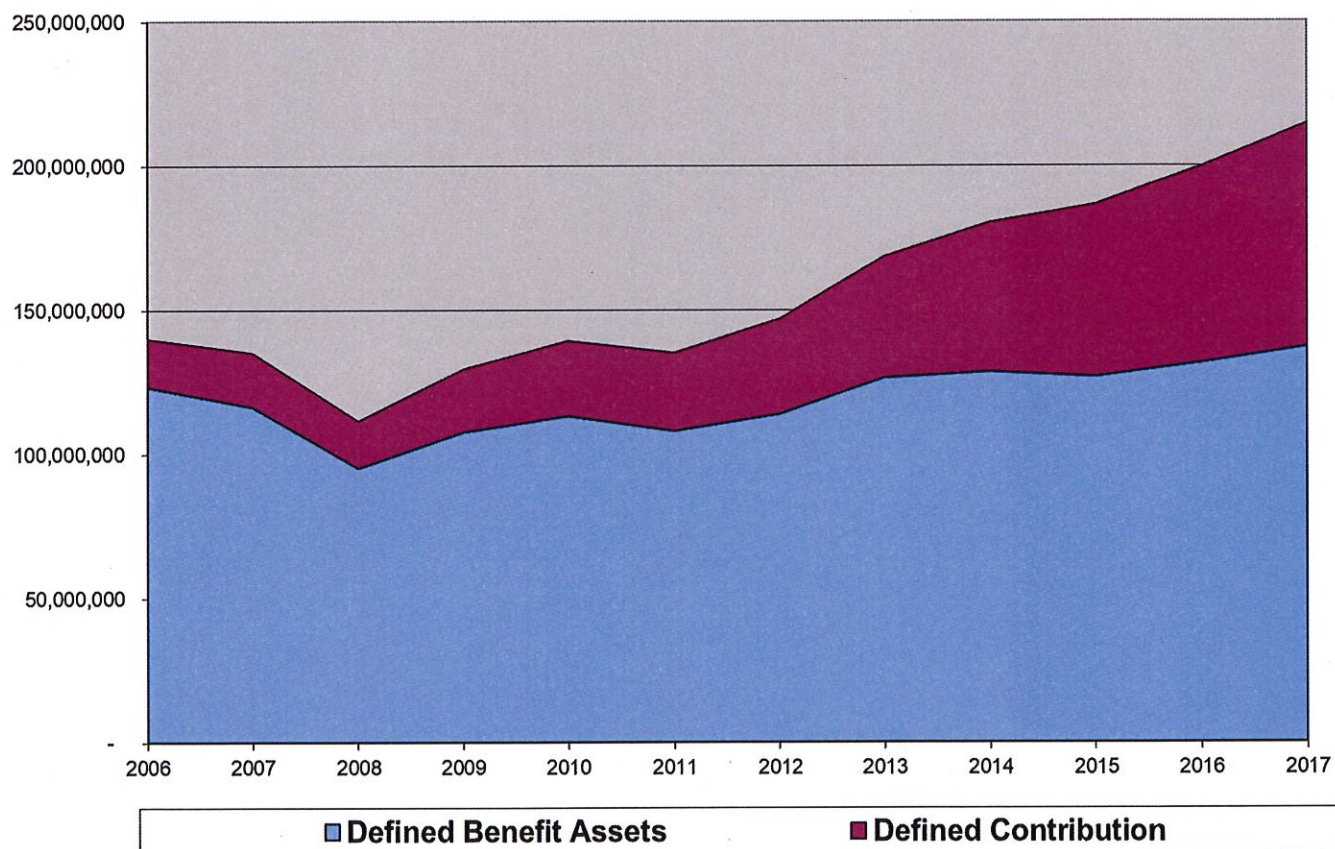
This smoothing method of calculating the return on the Fund is used to determine whether a cost of living increase is payable to pensioners. For a cost of living increase to be

payable, the smoothed rate earned by the Fund must be greater than 6%. Since the smoothed rate for 2017 was 8.13%, a cost of living increase of the Consumer Price Index from December 2016 to December 2017 of 1.87% will be payable effective July 1, 2018.

The net return on the Defined Contribution component varies by investment fund and by Plan member depending on individual fund selection.

The following graph provides an overview of the changes in Plan Assets over time.

**Plan Assets 2006 - 2017**



**Valuation**

The DB component of the Pension Plan is required to undergo an actuarial valuation on a regular basis. The last full valuation was performed as of December 31, 2016.

As the DB pension fund is below 90% funded on a solvency basis, it is subject to annual actuarial reviews. According to the most recent valuation, the Plan’s unfunded liability position decreased at December 31, 2016 from December 31, 2015. As a result the University’s special funding payments for the period starting January 1, 2017 were decreased. The decrease in the

unfunded liability is primarily the result of returns in 2016 exceeding the assumptions built into the calculation of the liability.

The Statement of Investment Policy (SIP) for the DB component of the Plan calls for the Plan to reduce the risk in the investment portfolio as the Plan becomes better funded, and conversely, to increase risk if funding levels fall. The 2016 going concern ratio increased above 85% so an adjustment to the asset mix was required. The rebalancing took place in December 2017 once the 2016 actuarial valuation was finalized, and increased fixed income assets while decreasing the assets allocated to equities.

The SIP also calls for the Plan to reallocate a portion of its fixed income assets from Universe Bonds to Long-Term Bonds which behave more similarly to the liabilities of the Plan. The assets invested in Long-Term Bonds were also increased as a result of the 2016 valuation.

It is important to note that the unfunded actuarial liability in the Plan does not impact the benefits that the Defined Benefit members are accruing or are receiving, but it does affect the amounts that the University is required to pay into the Plan to fund those benefits.

More information on the valuation is available on the Trustees website under Documents & Forms at:

<http://www.uwinnipeg.ca/hr/benefits/pension-trustees.html>

#### **Contributions, Benefit Payments and Plan Expenses:**

Active Members and the University make regular contributions to the DB and DC components of the Pension Plan based on the contribution formulas set out in the Plan.

The University also made required additional contributions to the DB component in 2017 of \$2.65 million. This is made up of \$2.2 million to address the “going-concern” actuarial valuation deficiency for 2017, and \$424,000 to fund a current service shortfall and Plan expenses (the cost of DB benefits earned by active DB members plus Plan expenses in 2017 were \$424,000 higher than the member and University’s basic contributions for the year, that difference was made up by additional contributions from the University). These payments will continue to be required until the actuarial deficiency is eliminated.

The attached financial statements are prepared to assist Plan members and others in reviewing the activities of the Plan for the year. They do not report on the funding requirements of the Plan. This information is provided in the actuarial valuations.

The Plan’s 2017 Financial Statements received an unqualified audit opinion from KPMG, an independent audit firm appointed by the Board of Trustees.

The following table summarizes the non-investment related transactions of the Plan

<b>Contributions</b>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
DB Member	958,753	893,509	830,921	759,820	673,831
DB University	4,211,465	3,486,099	3,173,885	4,020,914	3,483,380
DC Member	2,532,999	2,764,090	3,003,486	3,083,115	3,237,264
DC University	2,549,143	2,768,105	3,019,152	3,091,693	3,250,241
	10,252,360	9,911,803	10,027,444	10,955,542	10,644,716
<b>Distributions</b>					
DB Pensioners	7,578,593	7,880,869	8,111,698	8,326,623	8,717,591
DB Refunds & Transfers	508,277	5,656,105	1,977,876	3,319,671	3,173,453
DC Refunds & Transfers	1,451,104	690,465	1,508,938	2,810,489	3,550,131
DB Investment Manager Fees	428,289	559,254	531,730	522,668	575,665
DB Actuarial Fees	61,013	36,055	40,116	47,469	62,496
DB Custodial Fees	47,603	48,619	47,187	39,842	31,211
DB/DC Administration Fees	35,756	29,226	23,982	32,144	26,119
DB/DC Other Expenses	119,062	79,194	53,541	83,536	85,875
	10,229,697	14,979,787	12,295,068	15,182,442	16,222,541

**Benefit Payments:**

Benefit payments to DB pensioners increased by \$390,968. DC refunds and transfers were up \$739,642 from last year. Investment management fees increased since they are based on a percentage of assets and the asset pool has grown through contributions and positive returns. Other Plan expenses were in line with the previous year and historical norms.

**DC Fund Asset Mix**

The Defined Contribution component of the Plan is a member directed investment plan administered through Sun Life Financial.

The following table summarizes the percentage of assets invested in each fund offered by the Plan as at December 31, 2017.

Fund Name	%	Fund Name	%
B.G. Balanced Fund	9.8%	MFS Responsible Balanced	1.1%
B.G. American Equity	3.1%	MFS Responsible Cdn. Equity	1.3%
B.G. Fundamental Cdn Equity	0.1%	MFS Responsible Global Research	0.7%
JF Canadian Equity Fund C	2.5%	PH&N Fossil Fuel Free Global Equity	0.0%
MFS Global Research A	1.4%	SLA Universe Bond Fund	2.9%
MFS Global Equity Fund	3.3%	SLA 5Yr Guaranteed Fund	0.8%
MFS Lifeplan 2020	5.1%	SLF Money Market	2.0%
MFS Lifeplan 2025	5.4%	TDAM Balanced Index Fund	28.6%
MFS Lifeplan 2030	4.2%	TDAM Cdn Bond Index Fund	2.8%
MFS Lifeplan 2035	4.2%	TDAM Cdn Equity Index Fund	5.5%
MFS Lifeplan 2040	4.6%	TDAM Global Equity Index	0.8%
MFS Lifeplan 2045	3.5%	TDAM US Market Index Fund	2.2%
MFS Lifeplan 2050	1.6%		
MFS Lifeplan 2055	0.2%		
MFS Lifeplan Retiree	2.4%		

Michael D. Emslie, CPA, CA

Treasurer, University of Winnipeg Trusteed Pension Plan

June 4, 2018



# THE UNIVERSITY OF WINNIPEG

## THE UNIVERSITY OF WINNIPEG TRUSTEED PENSION PLAN RESPONSIBILITY FOR FINANCIAL REPORTING

The management of The University of Winnipeg contracted by the Trusteed Board of The University of Winnipeg Trusteed Pension Plan are 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 Board of Trustees.

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 Michael Emslie)*

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Michael Emslie, CPA, CA  
Vice-President Finance & Administration

*(Original signed by Gary Pawlychka)*

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Gary Pawlychka, CPA, CGA  
Executive Director, Financial Reporting

June 4, 2018

Andrew Kulyk, FSA, FCIA

**Eckler Ltd.**

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## Actuary's Opinion

Eckler Ltd. had been retained by The Board of Trustees of the University of Winnipeg Trusteed Pension Plan Trust 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, 2016 and adapted that valuation for inclusion in the Plan's financial statements. Eckler Ltd. has prepared an extrapolation of the results of that valuation to December 31, 2017 for inclusion in the Plan's financial statements.

In my opinion, for the purposes of the valuation,

- (a) the membership data on which the valuation is based are sufficient and reliable,
- (b) the assumptions are appropriate, and
- (c) the methods employed in the valuation are appropriate.

This report has been prepared and my opinion given in accordance with accepted actuarial practice in Canada.

June 28, 2018

Date

*(Original signed by Andrew Kulyk)*

Andrew Kulyk,  
Fellow of the Society of Actuaries  
Fellow of the Canadian Institute of Actuaries





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## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees  
University of Winnipeg Trusteed Pension Plan

We have audited the accompanying financial statements of University of Winnipeg Trusteed Pension Plan, which comprise the statement of financial position as at December 31, 2017, the statements of changes in net assets available for benefits and changes in obligations for pension benefits for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for pension plans, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of University of Winnipeg Trusteed Pension Plan as at December 31, 2017, and the changes in its net assets available for benefits and changes in its obligations for pension benefits for the year then ended in accordance with Canadian accounting standards for pension plans.

Signed "KPMG LLP"

Chartered Professional Accountants

June 4, 2018

Winnipeg, Canada

# UNIVERSITY OF WINNIPEG TRUSTEED PENSION PLAN

Statement of Financial Position

December 31, 2017, with comparative figures for 2016

	2017	2016
<b>Assets</b>		
Cash	1,104,202	2,317,357
Contributions receivable:		
Members	71,436	82,813
University	320,520	369,840
Investments (schedule A)	<u>213,491,818</u>	<u>197,289,502</u>
	<u>214,987,976</u>	<u>200,059,512</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	175,961	148,514
Due to University of Winnipeg	<u>129,587</u>	<u>54,683</u>
	<u>305,548</u>	<u>203,197</u>
<b>Net Assets Available for Benefits</b>		
Available for defined contribution obligations	77,441,083	68,169,166
Available for defined benefit obligations	<u>137,241,351</u>	<u>131,687,150</u>
	214,682,434	199,856,316
<b>Obligations for Pension Benefits</b>		
Defined contribution obligations	77,441,083	68,169,166
Actuarial present value of accrued pension benefits	<u>153,010,000</u>	<u>148,793,000</u>
<b>Deficiency of Net Assets Available for Benefits over Obligations for Pension Benefits</b>	<u>(15,768,649)</u>	<u>(17,105,850)</u>

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

On behalf of the Board of Trustees:

*(Original signed by Henry Hudek) Chair**(Original signed by Laurel Repski) Vice-Chair*

See accompanying notes to financial statements

# UNIVERSITY OF WINNIPEG TRUSTEED PENSION PLAN

Statement of Changes in Net Assets Available for Benefits

December 31, 2017, with comparative figures for 2016  
(see schedule C)

	2017	2016
Increase (decrease) in assets:		
Contributions (note 6):		
Members		
Required contributions	3,911,095	3,842,935
University		
Current service contributions	4,504,621	4,440,607
Special contributions	2,229,000	2,672,000
Transfers from other plans	72,431	98,176
Investment income	10,188,121	7,886,558
Current period change in fair value of investments	(23,734,130)	1,587,629
Net realized gain on sale of investments	33,877,521	8,048,042
	<u>31,048,659</u>	<u>28,575,947</u>
Decrease in assets:		
Benefits paid		
Retirement benefit payments	8,717,591	8,326,623
Termination benefit payments	6,723,584	6,130,160
Administrative expenses:		
Investment managers' fees	575,665	522,668
Actuarial fees	62,496	47,469
Administrator's fees	26,119	32,144
Custodial fees	31,211	39,842
Audit fees	17,624	21,848
Other expenses	68,251	61,688
	<u>781,366</u>	<u>725,659</u>
	<u>16,222,541</u>	<u>15,182,442</u>
Net increase (decrease) in assets available for benefits	14,826,118	13,393,505
Net assets available for benefits, beginning of year	<u>199,856,316</u>	<u>186,462,811</u>
Net assets available for benefits, end of year	<u>214,682,434</u>	<u>199,856,316</u>

See accompanying notes to financial statements

# UNIVERSITY OF WINNIPEG TRUSTEED PENSION PLAN

## Statement of Changes in Obligations for Pension Benefits

Year ended December 31, 2017, with comparative figures for 2016

	2017			2016		
	Defined Benefit Segment	Defined Contribution Segment	Total	Defined Benefit Segment	Defined Contribution Segment	Total
OBLIGATIONS FOR PENSION BENEFITS, BEGINNING OF YEAR	148,793,000	68,169,166	216,962,166	147,519,000	59,876,852	207,395,852
Interest accrued on benefits	7,833,000	-	7,833,000	8,131,000	-	8,131,000
Net investment return	-	6,262,112	6,262,112	-	4,829,819	4,829,819
Experience gains and losses	(204,000)	-	(204,000)	(817,000)	-	(817,000)
Contributions and transfers in	-	6,559,936	6,559,936	-	6,272,984	6,272,984
Benefits accrued	1,759,000	-	1,759,000	1,900,000	-	1,900,000
Benefits paid, refunds and transfers	(11,891,000)	(3,550,131)	(15,441,131)	(11,646,000)	(2,810,489)	(14,456,489)
Actuarial (gain) loss	6,720,000	-	6,720,000	3,706,000	-	3,706,000
OBLIGATIONS FOR PENSION BENEFITS, END OF YEAR	153,010,000	77,441,083	230,451,083	148,793,000	68,169,166	216,962,166

# UNIVERSITY OF WINNIPEG TRUSTEED PENSION PLAN

## Summary of Investments

December 31, 2017, with comparative figures for 2016

	2017			2016		
	Fair Value	Cost	% Fair Value	Fair Value	Cost	% Fair Value
Defined benefit:						
Fixed Income	47,206,441	47,629,081	34.70	29,622,422	29,965,021	22.95
Canadian Equities	23,781,074	19,083,930	17.48	26,887,544	22,984,718	20.82
U.S. equities	15,717,769	27,111,983	11.55	19,979,550	21,667,079	15.47
International equities	34,783,341	53,569,958	25.57	38,586,749	40,322,280	29.88
Real Estate	14,562,032	10,346,353	10.70	14,043,994	11,100,056	10.88
Short-term	77	77	-	76	76	-
	136,050,734	157,741,382	100.00	129,120,335	126,039,230	100.00
Defined contribution	77,441,084	71,590,293	100.00	68,169,167	63,355,998	100.00
Total investments	213,491,818	229,331,675	100.00	197,289,502	189,395,228	100.00

# UNIVERSITY OF WINNIPEG TRUSTEED PENSION PLAN

Statement of Financial Position by Segment

December 31, 2017

	Defined Benefit Segment	Defined Contribution Segment	Total
<b>Assets</b>			
Cash	1,104,202	-	1,104,202
Contributions receivable:			
Members	71,436	-	71,436
University	320,520	-	320,520
Investments (schedule A)	136,050,734	77,441,084	213,491,818
	<u>137,546,892</u>	<u>77,441,084</u>	<u>214,987,976</u>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	175,961	-	175,961
Due to University of Winnipeg	129,587	-	129,587
	<u>305,548</u>	<u>-</u>	<u>305,548</u>
<b>Net Assets Available for Benefits</b>	137,241,351	77,441,083	214,682,434
<b>Obligations for Pension Benefits</b>	<u>(153,010,000)</u>	<u>(77,441,083)</u>	<u>(230,451,083)</u>
<b>Deficiency of Net Assets Available for Benefits over Obligations for Pension Benefits</b>	<u>(15,768,649)</u>	<u>-</u>	<u>(15,768,649)</u>

# UNIVERSITY OF WINNIPEG TRUSTEED PENSION PLAN

Changes in Net Assets Available for Benefits by Segment

Year ended December 31, 2017

	Defined Benefit Segment	Defined Contribution Segment	Total
Increase (decrease) in assets:			
Contributions			
Members			
Required contributions	673,831	3,237,264	3,911,095
University			
Current service contributions	1,254,380	3,250,241	4,504,621
Special contributions	2,229,000	-	2,229,000
Transfers from other plans	-	72,431	72,431
Investment income	5,321,669	4,866,452	10,188,121
Current period change in fair value of Investments	(24,771,752)	1,037,622	(23,734,130)
Net realized gain on sale of investments	33,519,483	358,038	33,877,521
	<u>18,226,611</u>	<u>12,822,048</u>	<u>31,048,659</u>
Decrease in assets:			
Benefits paid			
Retirement benefit payments	8,717,591	-	8,717,591
Termination benefit payments	3,173,453	3,550,131	6,723,584
Administrative expenses:			
Investment managers' fees	575,665	-	575,665
Actuarial fees	62,496	-	62,496
Administrator's fees	26,119	-	26,119
Custodial fees	31,211	-	31,211
Audit fees	17,624	-	17,624
Other expenses	68,251	-	68,251
	<u>781,366</u>	<u>-</u>	<u>781,366</u>
	<u>12,672,410</u>	<u>3,550,131</u>	<u>16,222,541</u>
Net increase in assets available for benefits	5,554,201	9,271,917	14,826,118
Net assets available for benefits, beginning of year	<u>131,687,150</u>	<u>68,169,166</u>	<u>199,856,316</u>
Net assets available for benefits, end of year	<u>137,241,351</u>	<u>77,441,083</u>	<u>214,682,434</u>



# UNIVERSITY OF WINNIPEG TRUSTEED PENSION PLAN

Notes to the Financial Statements

Year ended December 31, 2017

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## 1. Description of the trustee pension plan:

The following description of the University of Winnipeg Trusteed 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.

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. Eligible 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. The Plan is registered under the Income Tax Act and the Manitoba Pension Benefits Act (Registration #309914).

On July 7, 2008 responsibility for plan 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 plan amendments which would cause an increase in cost to any stakeholder.

Prior to the transfer of responsibilities, a pension committee oversaw the administration of the Plan, 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 Church of Canada Pension Plan and those who are members of the Teachers' Retirement Allowances Fund. 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). As of January 1, 2017 all employees will join the Plan on date of employment.

The annual pension payable to a defined benefit member on retirement is based on the member's highest five year average earnings of their last 15 years of employment and years of credited service, subject to the Plan's maximum.

# UNIVERSITY OF WINNIPEG TRUSTEED PENSION PLAN

Notes to the Financial Statements

Year ended December 31, 2017

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## 2. Significant accounting policies:

### (a) (i) Basis of presentation:

The Plan follows Canadian accounting standards for pension plans for accounting policies related to its investment portfolio and pension obligations. In selecting or changing accounting policies that do not relate to its investment portfolio or pension obligations, the Plan complies on a consistent basis with Canadian accounting standards for private enterprises.

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. Only the net assets of the Plan and obligations to the members eligible to participate in the Plan have been included in these financial statements. These financial statements do not portray the funding requirements of the Plan or the security of benefits of individual Plan members.

### (ii) Continuity of operations:

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, 2016.

The actuarial valuation at December 31, 2016 reported that the defined benefit segment of the Plan had a solvency deficiency of \$40,044,000 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 141/2007) was registered October 15, 2007. In February 2008, the Manitoba Pension Commission provided the University with confirmation of a permanent exemption from meeting the solvency funding requirements.

A full actuarial valuation of the Plan as at December 31, 2016 was completed in 2017. This valuation established a going concern unfunded liability of \$18,803,000 with annual special payments of \$2,229,000 required to amortize the deficiency over 15 years starting January 1, 2017. Based on the current financial position of the plan, annual valuations are required. The next actuarial valuation of the Plan is required as at December 31, 2017 and will be completed during 2018.

# UNIVERSITY OF WINNIPEG TRUSTEED PENSION PLAN

Notes to the Financial Statements

Year ended December 31, 2017

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## 2. Significant accounting policies (continued):

### (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 available for benefits as the current period change in fair value of investments.

Fair value 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.

Real estate investments are valued at the most recent appraisals or external manager's valuations of the underlying properties.

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) Fair Value Measurement:

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

The Plan has categorized its assets and liabilities that are carried at fair value on a recurring basis, based on priority of the inputs to the valuation techniques used to measure fair value, into three level fair value hierarchy. Financial assets and liabilities measured at fair value are categorized as follows:

Level 1: Fair value is based on unadjusted quoted prices in active markets for identical unrestricted assets or liabilities.

Level 2: Fair value is based on quoted prices for similar assets and liabilities in active markets, valuation that is based on significant observable inputs or inputs that are derived principally for or corroborated with observable market data through correlation of other means.

Level 3: Fair value is based on valuation techniques that require one or more significant unobservable inputs or the use of broker quotes. These unobservable inputs reflect the Plan's assumptions about the market participants would use in pricing assets or liabilities.

# UNIVERSITY OF WINNIPEG TRUSTEED PENSION PLAN

Notes to the Financial Statements

Year ended December 31, 2017

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## 2. Significant accounting policies (continued):

(d) Net realized (loss) gain on sale of investments:

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

(e) Investment income:

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

(f) Foreign currency translation:

The fair values of foreign currency denominated investments included in the statement of financial position are translated into Canadian dollars at year end rates of exchange. Gains and losses 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 A to the financial statements are translated into Canadian dollars at the rates of exchange in effect on the dates of the related transactions.

(g) Transaction costs:

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

(h) 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, the disclosure of contingent 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.

(i) 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.

# UNIVERSITY OF WINNIPEG TRUSTEED PENSION PLAN

Notes to the Financial Statements

Year ended December 31, 2017

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### 3. 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 members of the defined contribution plan select their own investments and have the right to allocate their pension assets to investment funds that are offered by the custodian for the defined contribution segment of the Plan.

### 4. Risk management:

Fair value of investments and therefore the Plan's net assets available for benefits are exposed to the 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

Foreign currency exposure arises from the Plan holding investments denominated in currencies other than the Canadian dollar. Fluctuations in the relative value of the Canadian 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).

# UNIVERSITY OF WINNIPEG TRUSTEED PENSION PLAN

Notes to the Financial Statements

Year ended December 31, 2017

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## 4. Risk management (continued):

### (b) Credit risk

The Plan is exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due.

### (c) Liquidity risk

Liquidity risk is the possibility that investments in the Plan cannot be readily converted into cash when required. The Plan may be subject to liquidity constraints because of insufficient volume in the markets for the securities of the Plan or the securities may be subject to legal or contractual restrictions on their resale.

## Defined Benefit

### (a) Market risk

#### (i) Interest rate risk

The Plan's exposure to interest rate risk is concentrated in its investments in bonds, debentures, short-term notes and deposits. To manage the Plan's interest rate risk, appropriate guidelines on the weighting and duration for fixed income investments are set and monitored by the Board of Trustees. As at December 31, 2017, 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 \$4,344,389 (\$2,417,710 - 2016). 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 Board of Trustees. The Plan is exposed to fluctuations in the U.S. dollar, Japanese yen and European currencies, notably the Euro and British pound sterling.

# UNIVERSITY OF WINNIPEG TRUSTEED PENSION PLAN

Notes to the Financial Statements

Year ended December 31, 2017

## 4. Risk management (continued):

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

As at December 31, 2017	Actual currency exposure	%
Canadian	85,549,626	62.9
US dollar	16,019,305	11.8
British pound sterling	7,254,964	5.3
Euro	6,794,957	5.0
Japanese yen	3,932,792	2.9
Swiss franc	3,150,686	2.3
Hong Kong dollar	2,999,599	2.2
Other currencies	10,348,805	7.6
	136,050,734	100.0

As at December 31, 2016	Actual currency exposure	%
Canadian	70,554,036	54.6
US dollar	20,683,745	16.0
British pound sterling	7,786,230	6.0
Euro	7,742,116	6.0
Japanese yen	4,694,711	3.7
Swiss franc	3,394,589	2.6
Hong Kong dollar	3,206,043	2.5
Other currencies	11,058,865	8.6
	129,120,335	100.0

# UNIVERSITY OF WINNIPEG TRUSTEED PENSION PLAN

Notes to the Financial Statements

Year ended December 31, 2017

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## 4. Risk management (continued):

A 10 percent increase or decrease in exchange rates, with all other factors held constant would result in a change in unrealized gains (losses) of approximately \$5,050,000 (\$5,857,000 - 2016) as at December 31, 2017.

### (iii) Other price risk

To manage the Plan's other price risk, appropriate guidelines on asset diversification to address specific security, geographic, sector and investment manager risks are set and monitored by the Board of Trustees. As at December 31, 2017, a decline of 10 percent in equity values, with all other variables held constant, would have impacted the Plan's equity investments by an approximate unrealized loss of \$7,428,000 (\$8,545,000 - 2016).

### (b) Credit risk

All transactions in listed securities are settled upon delivery using approved investment managers. 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 (at market value) by credit ratings from various rating agencies is presented below:

	2017	2016
Credit Rating		
AAA	17,705,308	9,842,309
AA	7,124,763	4,816,061
A	13,731,003	8,499,220
B - BBB	8,645,367	6,464,832
	47,206,441	29,622,422



# UNIVERSITY OF WINNIPEG TRUSTEED PENSION PLAN

Notes to the Financial Statements

Year ended December 31, 2017

## 4. Risk management (continued):

### (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:

	2017	2016
Less than one year	404,964	352,298
One to five years	7,946,684	6,054,915
After five years	38,854,793	23,215,209
Total fair value	47,206,441	29,622,422

### Defined Contribution

Investment allocation for the Defined Contribution Segment of the plan is directed by individual plan members to a series of investment funds. The funds may be exposed to a variety of financial risks. Each of the fund's exposures to financial risks is concentrated in its investment holdings and is managed by the respective Fund Managers. The risk management process for each Fund Manager includes the monitoring of compliance to the fund's investment policies and objectives. It is the responsibility of each Fund Manager to manage the potential effects of these financial risks on the fund's performance by regularly monitoring the fund's positions, market events and making adjustments to the fund as necessary to diversify investment portfolios within the constraints of the investment guidelines. The following is a list of the potential risks individual funds may be exposed to:

# UNIVERSITY OF WINNIPEG TRUSTEED PENSION PLAN

Notes to the Financial Statements

Year ended December 31, 2017

## 4. Risk management (continued):

Fund Name	Fair Value 2017	Fair Value 2016	Credit Risk	Currency Risk	Interest Rate Risk	Liquidity Risk	Other Price Risk
BG Balanced	7,627,116	6,930,367	X	X	X		X
BG American Equity	2,374,396	2,287,914		X			X
BG Fundamental Cdn Equity	99,033	6,767		X			X
JF Canadian Equity	1,942,551	1,918,297		X			X
MFS Global Research	1,086,388	968,717		X		X	X
MFS Global Equity	2,548,132	2,017,509		X		X	X
MFS Lifeplan 2020	3,921,984	4,135,049	X	X	X	X	X
MFS Lifeplan 2025	4,170,668	3,246,740	X	X	X	X	X
MFS Lifeplan 2030	3,271,901	2,330,864	X	X	X	X	X
MFS Lifeplan 2035	3,223,135	2,646,979	X	X	X	X	X
MFS Lifeplan 2040	3,593,073	2,693,629	X	X	X	X	X
MFS Lifeplan 2045	2,700,599	2,053,857	X	X	X	X	X
MFS Lifeplan 2050	1,230,969	782,916	X	X	X	X	X
MFS Lifeplan 2055	127,036	18,704	X	X	X	X	X
MFS Lifeplan Retiree	1,825,331	2,263,037	X	X	X	X	X
MFS Responsible Balanced	869,156	706,727	X	X	X	X	X
MFS Responsible Cdn Equity	1,020,592	1,084,881		X		X	X
MFS Responsible Global Research	542,689	454,361		X		X	X
PH&N Fossil Fuel Free Global Equity	60	-		X		X	X
SLA 5Yr Guaranteed	633,074	573,473	X	X	X	X	X
SLF Money Market	1,559,241	1,253,033	X		X		
SLF Universe Bond	2,207,232	2,187,299	X	X	X	X	X
TDAM Balanced Index	22,118,576	19,658,451	X	X	X	X	X
TDAM Cdn Bond Index	2,181,495	1,985,524	X	X	X	X	X
TDAM Cdn Equity Index	4,223,661	3,963,756		X		X	X
TDAM Global Equity Index	627,089	463,291		X		X	X
TDAM US Mkt Index	1,715,907	1,537,025		X		X	X
	77,441,084	68,169,167					

# UNIVERSITY OF WINNIPEG TRUSTEED PENSION PLAN

Notes to the Financial Statements

Year ended December 31, 2017

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## 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 Trustees. An actuarial valuation of the Plan was prepared, effective December 31, 2016 by Eckler Ltd., a firm of consulting actuaries. The results were extrapolated by them to December 31, 2017. The extrapolation of the actuarial present value of the pension benefits as at December 31, 2016 and the principal components of changes in actuarial present values during the year are provided in the financial statements (Statement III).

The actuarial gain in 2017 was measured as the impact of changes in membership, including the impact of salary changes, between the previous actuarial valuation as at December 31, 2015 and the actuarial valuation as at December 31, 2016.

The Plan provides that a pension increase in respect of a year is effective July 1 of the following year and is equal to the excess of the four year geometric average rate of return of the fund, over 6%, subject to a maximum of the increase in the CPI in that year. The four year geometric average rate of return for the period ending December 31, 2017 was greater than 6%, therefore, a pension increase in respect of 2017 will be provided to pensioners effective July 1, 2018. As the excess return for 2017 was greater than the increase in CPI for that year, the pension increase effective July 1, 2018 has been limited to the increase in CPI for 2017 of 1.87%.

The four year geometric average rate of return for the period ending December 31, 2016 was greater than 6%, and a pension increase of 1.50% was provided to pensioners effective July 1, 2017.

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

	2017	2016
Market Value of net assets	137,241,000	131,687,000

# UNIVERSITY OF WINNIPEG TRUSTEED PENSION PLAN

Notes to the Financial Statements

Year ended December 31, 2017

## 5. Obligation for pension benefits (continued):

The economic assumptions used in determining the actuarial value of accrued benefits were changed for the extrapolation to December 31, 2017 and were developed by reference to expected long-term market conditions. Significant actuarial assumptions used in the valuation were:

	2017	2016
Rate of return on investments	5.10%	5.45%
Post-retirement pension increases	0.75%	0.75%
Rate of salary increase	3.0% per year, plus merit, if applicable	3.0% per year, plus merit, if applicable

\* Salaries are assumed to increase in accordance with general wage increases in Canada at the rate of 3.00% per year for all members. Salaries for academic plan members are assumed to increase by an additional merit and promotion component in accordance with the following table:

Age	Average Annual Increase over next 5 years	Average Annual Increase To age 65
40	2.3%	1.9%
45	2.1%	1.8%
50	1.9%	1.7%
55	1.7%	1.7%
60	1.6%	1.6%

### (b) Defined contribution obligation:

The obligation for pension benefits under the defined contribution segment 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.

# UNIVERSITY OF WINNIPEG TRUSTEED PENSION PLAN

Notes to the Financial Statements

Year ended December 31, 2017

## 6. Funding policy:

The University's regular contribution to the defined benefit segment is 9.0% of contributory earnings less an adjustment for the Canada Pension Plan. The University's contribution to the defined contribution segment is 6.2% of contributory earnings. The Plan defines maximum contributory earnings for both DB and DC members. For members receiving long-term disability benefits, the University pays the employee regular contributions as well as its own contributions. In addition, the University is responsible for any additional contributions required under the Pension Benefits Act of Manitoba.

## 7. Fair value disclosure:

The Plan's investments have been categorized based upon a fair value hierarchy. See note 2(c) for a discussion of the Plan's policies regarding this hierarchy. The following fair value hierarchy table presents information about the Plan's investments measured at fair value as at December 31, 2017. There have been no transfers between levels during 2017 or 2016.

Investments at Fair Value as at December 31, 2017				
	Level 1	Level 2	Level 3	Total
Fixed Income	-	47,206,441	-	47,206,441
Canadian Equities	23,781,074	-	-	23,781,074
U.S. Equities	15,717,769	-	-	15,717,769
International Equities	34,783,341	-	-	34,783,341
Real Estate	-	-	14,562,032	14,562,032
Short-Term	-	77	-	77
Defined Contribution	-	77,441,084	-	77,441,084
	74,282,184	124,647,602	14,562,032	213,491,818

Investments at Fair Value as at December 31, 2016				
	Level 1	Level 2	Level 3	Total
Fixed Income	-	29,622,422	-	29,622,422
Canadian Equities	26,887,544	-	-	26,887,544
U.S. Equities	19,979,550	-	-	19,979,550
International Equities	38,586,749	-	-	38,586,749
Real Estate	-	-	14,043,994	14,043,994
Short-Term	-	76	-	76
Defined Contribution	-	68,169,167	-	68,169,167
	85,453,843	97,791,665	14,043,994	197,289,502

# UNIVERSITY OF WINNIPEG TRUSTEED PENSION PLAN

Notes to the Financial Statements

Year ended December 31, 2017

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## 8. Capital disclosures:

The Plan's objective in managing capital is to preserve the net assets available for pension benefits for its membership. The Board of Trustees is responsible for all aspects of the operation and administration of the Plan. Managing capital takes into account capital requirements provided in the terms of the respective components of the Plan and applicable legislation within the Manitoba Pension Benefits Act and the Income Tax Act.

The Plan's capital is comprised of the net assets available for benefits. The Plan's risks are defined in Note 4 as are the Board of Trustees risk management strategies. A trust company holds the assets under a Trust Agreement and provides daily administration of the Plan. Professional investment managers administer the portfolio. In regards to the defined contribution component of the Plan, all members make their own investment decisions.

The Statement of Changes in Net Assets Available for Benefits (Statement II) sets out the balances at the beginning and the end of the year.

In the year ended December 31, 2014 the Plan introduced two new asset classes into the Plan. These new asset classes, Real Estate and Emerging Market Equities, are also managed by professional third party investment managers. The Plan has complied with its externally imposed capital requirements.