

**A REPORT ON THE
ACTUARIAL VALUATION FOR FUNDING PURPOSES
OF THE DEFINED BENEFIT PART OF THE
UNIVERSITY OF WINNIPEG PENSION PLAN
AS AT DECEMBER 31, 2007**

Prepared by
Eckler Ltd.

June 11, 2008

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SECTION 1. EXECUTIVE SUMMARY

This report presents the results of a valuation of the defined benefit part of the University of Winnipeg Pension Plan as at December 31, 2007. The valuation was undertaken at the request of Mr. Bill Balan, Acting Vice-President, Finance & Administration of the University, in order to determine the funded position of the Plan as at December 31, 2007, and to satisfy the requirements of the Manitoba Pension Benefits Act and the Income Tax Act. The previous valuation was effective December 31, 2004.

- (a) This plan is subject to the funding requirements of the Manitoba Pension Benefits Act. As such, it is required that a solvency valuation be prepared and, usually, any solvency deficiency would require funding over a five-year period. However, the Manitoba government has recently passed Regulation 141/2007 which permits the University to elect to be exempted from the solvency funding requirements and the University has made such an election. For the period 2005 to 2007 the University was exempt from making solvency payments under Manitoba government Regulation 75/2005.
- (b) On a going-concern basis, the University decided at the previous valuation to fund the deficiency on a somewhat more conservative basis than was required by Regulation 75/2005. This involved using a smoothed value for the assets and a fifteen-year amortization period for the funding deficiency. On that basis, the unfunded liability at December 31, 2004 was \$3,746,000 and the annual funding payments were \$386,000 for 15 years. In the 3 year period since the previous valuation an actuarial gain has occurred and the unfunded liability is \$2,384,000 at December 31, 2007. In this situation, the Pension Benefits Act permits a reduction in the special payment amount with payments to continue for the remainder of the original amortization period. However, on the basis of an understanding struck in 2007 amongst the various plan stakeholders and the Manitoba government, the special payments established at the December 31, 2004 valuation are to continue unchanged in spite of subsequent actuarial gains. Therefore payments of \$386,000 are to continue as scheduled or until a subsequent valuation shows that the deficiency has been eliminated.
- (c) On November 17, 2006, the Superintendent of Pensions for Manitoba issued an Order requiring the University to proceed with a surplus distribution from the plan to members in accordance with a 2000 agreement with plan stakeholders. In addition, the University was required to pay the amount of this distribution into the pension fund in one lump sum. The amount in question was \$6,454,000 as at December 31, 1999. With adjustments and interest, the amount as at December 31, 2007 is estimated to be \$8,098,000. The University appealed the Superintendent's Order to the Pension Commission, without success according to the Final Decision of the Manitoba Pension Commission made on April 23, 2008. This valuation includes the ordered lump sum payment by the University as an asset, and the members' surplus distribution as a corresponding liability, in accordance with the Pension Commission's Final Decision. The University intends to further appeal the Superintendent's Order to the Manitoba Court of Appeal.

- (d) The projected current service cost and contributions for the next three years are as follows:

Year	Current Service Cost	Employee Contributions	Regular University Contributions	Current Service Shortfall
2008	\$2,297,000	\$872,000	\$1,121,000	\$304,000
2009	2,146,000	808,000	1,043,000	295,000
2010	2,071,000	776,000	1,004,000	291,000

- (e) In the absence of available surplus in the plan, the University is required to pay the current service shortfall in addition to its regular contributions.
- (f) The solvency valuation determined a solvency deficiency of \$20,665,000 and a solvency ratio of 84.9%. In the absence of Regulation 141/2007 that would have required annual funding payments of \$4,608,000 for the next five years, in addition to the current service costs.
- (g) We are not aware of any subsequent events which affect the results of this valuation. However, the Plan is in the process of being transferred to a jointly trustee basis according to a pension transition agreement and trust agreement dated March 25, 2008. The transition becomes fully effective on July 7, 2008, or such earlier date as approval of the transition is received from regulatory authorities. Provisions of the plan relating to benefits provided and responsibility for meeting funding requirements are not changed by the transition.
- (h) The plan should be subject to a further actuarial valuation no later than December 31, 2010.

Respectfully submitted,
ECKLER LTD.

A. Douglas Poapst, FSA, FCIA

SECTION 2. ASSET VALUATION

A. Nature of Assets

The funds are held in a trust fund, with RBC Dexia Investor Services as the Trustee. The funds are invested in marketable securities by three investment counsellors – Sprucegrove, McLean Budden and Foyston, Gordon and Payne Inc.

At December 31, 2007, the funds were made up as follows, at market value:

Bonds	\$55,740,000
Canadian Equities	33,528,000
Global Equities	26,702,000
Cash & Short Term Funds	1,464,000
Net Receivables	49,000
	<hr/>
	\$117,483,000

B. Financial Statements

A summary of the audited financial statements of the fund in 2005 and 2006 and the draft financial statements for 2007 follows:

	2005 (\$000)	2006 (\$000)	2007 (\$000)
Net assets available for benefits, January 1	\$104,772	\$113,373	\$123,236
Member Contributions	990	970	935
University Contributions	1,855	1,750	1,748
Investment Income	6,640	6,957	7,636
Realized Gains & Losses	1,796	3,385	3,313
Change in Market Values (unrealized gains & losses)	4,512	4,344	(10,473)
Pensions	(4,730)	(5,003)	(5,200)
Other Benefit Payments	(1,839)	(1,927)	(3,999)
Expenses	<u>(623)</u>	<u>(613)</u>	<u>(711)</u>
Net assets available for benefits, December 31	\$113,373	\$123,236	\$116,485

C. Actuarial Value of Assets

For the purposes of determining the appropriate funding level, we have used a smoothing approach to determine the actuarial value of assets. For each of the past 3 years we have determined how much income a 6% net rate of return would have produced. We have then amortized the difference between the 6% return and the actual rate of return over a 3-year period, as follows:

Year	Net investment income	6% net return	Difference
2005	12,324,855	6,174,624	6,150,231
2006	14,072,849	6,676,107	7,396,742
2007	(235,547)	7,198,695	(7,434,242)

Market Value at December 31, 2007	116,485,000
less 75% of 2007 difference	5,576,000
less 50% of 2006 difference	(3,698,000)
less 25% of 2005 difference	<u>(1,538,000)</u>
Actuarial Value at December 31, 2007 (before adjustment per Superintendent's Order)	\$116,825,000

This method of asset valuation was effective December 31, 2004. The method used has a material affect on the plan's operation because the return based on actuarial values is used to credit interest on members' contributions and also to determine the pensioner increases.

D. Investment Return

The pension fund has earned the following approximate annual rates of return over the past 3 years, net of all expenses, based on market values and actuarial values. All cash flows are assumed to occur on July 1.

Year	Return on Market Values	Return on Actuarial Values
2005	11.98%	6.54%
2006	12.65%	11.74%
2007	-0.20%	8.52%
Annual Average	8.15%	8.88%

E. Superintendent's Order

In accordance with the Manitoba Pension Commission's Final Decision with respect the Superintendent's Order on surplus distribution, we have increased the actuarial value of assets to reflect the part of the Order requiring the University to pay the amount to the pension fund in one lump sum. Details of the assumptions made in this valuation with respect to the distribution of surplus portions of the Superintendent's Order are described with other actuarial assumptions in Section 7 of this report. The actuarial value of assets, adjusted to reflect the Superintendent's Order, is as follows:

Actuarial Value before adjustment	\$116,825,000
Adjustment for contribution due from University under Superintendent's Order	<u>8,098,000</u>
Adjusted Actuarial Value at December 31, 2007	\$124,923,000

SECTION 3. VALUATION RESULTS FOR FUNDING PURPOSES

A. Valuation Balance Sheet – Going-Concern Basis

On the basis of the plan provisions in Section 6, the actuarial assumptions and methods for the going-concern valuation in Section 7 and the membership information summarized in Section 8, the results of the going-concern valuation of the defined benefit part of the plan at December 31, 2007, together with restated results at December 31, 2004 for comparison purposes are shown below.

The restatement of results for the December 31, 2004 valuation reflect the effect of the Superintendent's Order as at December 31, 2004 – showing a surplus distribution liability of \$6,432,000 and increasing the assets by the same amount in respect of the lump sum payment to be made by the University under the Superintendent's Order.

	Dec 31, 2007	Dec 31, 2004 (restated)
	(000's)	(000's)
Assets (at actuarial value)	\$124,923	\$109,487
Liabilities:		
Actives		
Academic	43,688	42,655
Support	16,335	14,737
Pensioners	56,396	47,684
Inactive & Deferreds	2,647	1,495
Voluntary Contributions	105	39
Undistributed Surplus	38	56
Surplus distribution – Superintendent's Order	<u>8,098</u>	<u>6,432</u>
Outstanding transfers to CMU	<u> </u>	<u>135</u>
	\$127,307	\$113,233
Surplus/(Deficiency)	(\$2,384)	(\$3,746)

The deficiency at December 31, 2004 is being funded over 15 years at the rate of \$386,000 per year. The present value of the remaining payments over the next 12 years is \$3,332,000 and therefore these payments over this period are more than sufficient to fund the current deficiency. However, the annual payment amount of \$386,000 is to continue as scheduled or until a subsequent valuation determines that the deficiency has been eliminated.

B. Current Service Costs

The current service costs for the next three years are estimated as follows:

		Cost of Benefits in year	Employee Contributions In year	Regular University Contributions in year	Current Service Shortfall
2008					
Academic	- Active	\$1,520,000	\$597,000	\$713,000	\$210,000
	- LTD	50,000	0	42,000	8,000
Support	- Active	699,000	275,000	335,000	89,000
	- LTD	<u>28,000</u>	<u>0</u>	<u>31,000</u>	<u>(3,000)</u>
		\$2,297,000	\$872,000	\$1,121,000	\$304,000
2009					
Academic	- Active	\$1,352,000	\$534,000	\$638,000	\$180,000
	- LTD	53,000	0	42,000	11,000
Support	- Active	714,000	274,000	334,000	106,000
	- LTD	<u>27,000</u>	<u>0</u>	<u>29,000</u>	<u>(2,000)</u>
		\$2,146,000	\$808,000	\$1,043,000	\$295,000
2010					
Academic	- Active	\$1,260,000	\$500,000	\$597,000	\$163,000
	- LTD	55,000	0	42,000	13,000
Support	- Active	728,000	276,000	336,000	116,000
	- LTD	<u>28,000</u>	<u>0</u>	<u>29,000</u>	<u>(1,000)</u>
		\$2,071,000	\$776,000	\$1,004,000	\$291,000

In the absence of surplus, the University is responsible for paying the balance of the current service cost. For practical purposes, we would suggest that the current service shortfall in each year be determined as a percentage of the University's regular contributions, as follows:

Current Service Shortfall as % of University Regular Contribution

2008	27.1%
2009	28.3%
2010	29.0%

In the previous valuation, the current service shortfall as a percentage of University Regular contribution for 2007 was 15.5%. The increase in the current service shortfall as a percentage of University regular contributions since the previous valuation is primarily due to the change in actuarial assumptions. For example, using the prior assumptions, the shortfall for 2008 would have been 17.2% of University regular contributions. In Section 9, we have projected the contributions and current service shortfall in each future year.

The actuarial present value of the current service shortfall for the next 3 years is \$816,000. In the event that the plan had been in a surplus position at December 21, 2007, Paragraph 14.3 of the plan would have provided that the first \$816,000 of the surplus would have been used to offset the current service shortfall.

The actuarial present value of all future current service shortfalls is determined as follows.

Value of benefits to be accrued in the future	\$17,713,000
Value of future regular contributions	<u>14,985,000</u>
Shortfall	\$2,728,000

SECTION 4. FUNDING REQUIREMENTS

A. Special Payments – Going-Concern Unfunded Liability

The plan is subject to the funding requirements of the Manitoba Pension Benefits Act. However, at the time of the previous valuation, the Manitoba government had recently passed Regulation 75/2005 which permitted the University to elect to be exempted from the normal solvency funding requirements for the period to the next triennial valuation. Regulation 75/2005 also provided that if such an election was made, the going-concern valuation was to be reported using market value for the assets and any unfunded liability was to be amortized over a maximum of 10 years. The election was made by the University and on that basis, the unfunded liability was \$1,988,000 at December 31, 2004 and the annual special payment was \$268,000 for 10 years. The University decided to fund the plan on a somewhat more conservative basis using a smoothed value for assets and a fifteen year amortization period. On that basis, the unfunded liability was \$3,746,000 and the annual funding payment was \$386,000. Since Regulation 75/2005 specifically permitted the University to make contributions greater than the minimum amount, the University has been funding the liability at \$386,000 annually during the three year period since the previous valuation.

An actuarial gain has occurred since the previous valuation as at December 31, 2004 as follows:

	(000's)
Assets (actuarial value)	\$124,923
Liabilities	<u>127,307</u>
Surplus/(Deficiency)	(\$2,384)
Present Value of Special Payments of \$386,000 for 12 years	\$3,332
Actuarial Gain	\$948

On the basis of discussions during 2007 amongst the various plan stakeholders and the Manitoba government, the special payments established at the December 31, 2004 valuation are to continue unchanged in spite of subsequent actuarial gains, until such time as the deficiency at 2004 has been eliminated. Since the special payments of \$386,000 are not sufficient to eliminate the deficit before the next valuation, these payments will continue to the next valuation, and be reviewed at that time.

B. Solvency Valuation

As described previously, Regulation 75/2005 permitted the University to be exempted from the normal solvency funding requirements for the period from December 31, 2004 to the next triennial valuation as at December 31, 2007. In 2007, the Manitoba government passed Regulation 141/2007, the University Pension Plans Exemption Regulation. The regulation provides that the University may elect to be exempt from the requirement to make special payments for solvency deficiencies that would otherwise be required under the Manitoba Pension Benefits Act. The University has made such an election.

The solvency valuation is a hypothetical valuation which assumes that the plan is terminated on the valuation date. In that situation, it is assumed that all those eligible for immediate retirement (i.e. those over age 55) retire and receive an immediate pension. These pensions, and those of existing retirees, are assumed to be purchased from an insurance company. All other members are assumed to commute the value of their deferred pensions.

On the basis of the plan provisions in Section 6, the actuarial assumptions and methods for the solvency valuation in Section 7 and the membership information summarized in Section 8, the results of the solvency valuation of the defined benefit part of the plan are shown below:

	Unadjusted for Superintendent's Order (000's)	Adjusted for Superintendent's Order (000's)
Assets	\$116,485	\$124,583
Solvency Liabilities:		
Active Members		
Immediate Pensions	54,514	54,514
Deferred Pensions	17,141	17,141
Pensioners	62,281	62,281
Deferred Pensioners	2,888	2,888
Other	143	143
Surplus distribution – Superintendent's Order	<u>0</u>	<u>8,098</u>
Termination Expenses*	<u>183</u>	<u>183</u>
Total Solvency Liabilities	\$137,150	\$145,248
Solvency Deficiency	(\$20,665)	(\$20,665)
Solvency Ratio	84.9%	85.8%

* Accepted actuarial practice would be to treat the expense allowance as a negative asset but the Manitoba legislation requires that it be shown as a liability.

The solvency valuation is prepared both with and without adjustment for the effect of the Superintendent's Order. The amount of the solvency deficiency is the same under both bases since the lump sum contribution due from the University is equal to the full amount of surplus to be distributed. The solvency ratio is, however, affected. Since the Superintendent's Order contemplates (in its simplest implementation) an amount of money deposited to the fund, and then paid out to members without any holdback for the solvency funded ratio, the solvency ratio of 84.9% unadjusted for the contributions and benefit payments due under the Superintendent's Order is the best measure for the underlying Plan.

In the absence of the exemption to make solvency payments, the annual special payments to fund the above deficiency over 5 years would be \$4,608,000.

C. Current Service Costs

The current service cost is unaffected by Manitoba Regulations 75/2005 and 141/2007 and therefore is as reported in Section 3.B above.

SECTION 5. ANALYSIS OF CHANGE IN FUNDED POSITION

The financial position of the plan has improved from a deficiency of \$3,746,000 at December 31, 2004 to a deficiency of \$2,384,000 at December 31, 2007, for the following reasons:

Deficiency at December 31, 2004	(\$3,746,000)
Interest on deficiency at 6.275% for 3 years ¹	(750,000)
Special payments made during the 3 year period ²	1,270,000
Investment return in excess of 6.275% per year ³	8,760,000
Assumption changes ⁴	(2,690,000)
Salary gain ⁵	104,000
Interest on contribution accounts ⁶	(1,410,000)
Indexing of pensions ⁷	(1,884,000)
Pensioner mortality loss ⁸	(448,000)
Demographic gain ⁹	22,000
Benefits transferred from the plan ¹⁰	(1,362,000)
Balancing item ¹¹	<u>(250,000)</u>
Deficiency at December 31, 2007	(\$2,384,000)

Notes:

1. The previous valuation assumed a 6.5% investment return for active members and a 6% investment return for pensioners. Based on the relative liabilities, the expected return, on average, was 6.275%.
2. The University made special payments of \$386,000 per year towards funding the deficiency at the last valuation.
3. The average annual rate of return on the fund based on actuarial values for the three year period was 8.88%.
4. For this valuation, the pre-retirement interest rate was lowered to 6% and the post-retirement rate to 5.75%.
5. Salary increases on average were slightly lower than expected producing a small gain of \$111,000. The YMPE projected for 2008 was slightly higher than the actual 2008 YMPE producing a very small loss. The net effect was a gain of \$104,000.
6. The value of a member's benefit is compared to his contribution balance with interest and is increased if the contribution balance makes up more than 50% of the value. At the last valuation, we assumed contributions would be credited with interest at 6.5% per year when in fact the average rate for the 3 year period was 8.93%.

7. Pensions were increased as follows:

	Retirees prior to 1998	Retirees after 1997
July 1, 2006	1.69%	0.53%
July 1, 2007	1.65%	1.65%
July 1, 2008	2.38%	2.38%

The actuarial basis allowed for a 1% increase per year for pre-1998 retirees for the 2006 and 2007 increases. The cost of pension increases over and above what was allowed for in the actuarial basis totalled \$1,884,000.

8. Fewer pensioners died than projected resulting in a loss to the fund.
9. There was a small net gain due to pre-retirement mortality, termination of employment and early retirement experience being other than expected. In particular, there was a gain on the retirement experience of academic staff as in general they chose to retire later than what was assumed. This was offset by a loss of similar magnitude from the experience of the support members.
10. Upon termination and retirement, members have the option of transferring the value of their benefits from the plan. The basis used to calculate these transfer values has recently resulted in interest rates lower than previously experienced and lower than those assumed in the valuation, resulting in a loss to the plan.
11. The balancing item is approximately 0.21% of the liabilities which is acceptably small.

SECTION 6. SUMMARY OF THE DEFINED BENEFIT PROVISIONS

1. Eligibility

The defined benefit part of the plan is closed to new members.

2. Member contributions

Members are required to contribute at the rate of 6% of pensionable salary less 1.8% of that part of their salary on which they make contributions to the Canada Pension Plan.

3. University contributions

The University contributes at the rate of 7% of pensionable salary less 1.8% of that part of salary on which contributions are made to the Canada Pension Plan plus any special payments required under the Manitoba Pension Benefits Act. In addition, the University must contribute any current service cost shortfall that cannot be funded from surplus.

Prior to April 1, 2003, the University contribution rate was the same as the members. It increased to 6.5% effective April 1, 2003 and 7.0% effective April 1, 2004. In addition, with effect from April 1, 2003, the University is making both member and employer contributions in respect of disabled members. Previously these were funded from surplus. The University took a contribution credit for the period from April 1, 2000 to March 31, 2002.

4. Normal retirement

The normal retirement date of an academic staff member is September 1 following the member's 65th birthday. The normal retirement date of a support staff member is the first of the month following the member's 65th birthday.

5. Early retirement

A member may retire on the first day of any month within the 10 year period prior to normal retirement date. If the member is 61 or more and age plus service totals 85 or more, the member will receive the full formula pension. Otherwise the pension is reduced by ¼% for each month between early retirement date and the date the member would first qualify for a full formula pension, if he or she remained in employment.

Under the latest early retirement program (ERO III), a member who retired on or before December 31, 2000 and who satisfied the rule of 80 minimum age 55, had the early retirement reduction eliminated and also received a bridge benefit of \$600 per month for a period of 5 years but not past age 65.

6. Late retirement

A member who continues in employment after normal retirement date continues to make contributions to the plan and the pension does not commence until the earlier of the member's actual retirement date and, if born prior to 1938, the end of the year in which the member's 69th birthday falls, otherwise the end of the year in which the member's 71st birthday falls.

7. Pension

At retirement, the member is entitled to an annual pension equal to 2% of final average earnings multiplied by years of credited service less 0.6% of CPP average earnings multiplied by years of credited service since January 1, 1988. Final average earnings means the annual average of the best 60 months earnings in the last 15 years prior to retirement. CPP average earnings is the annual average of the CPP earnings in the same 60 months used to determine final average earnings. The pension is subject to a maximum of \$1,722.22 per year of credited service.

8. Forms of pension

The normal form of pension is payable for life with a guarantee of 5 years' payments. Members who elected not to receive the full surplus distribution in cash will have a normal form of life guaranteed 10 years in respect of service prior to December 31, 1999 if they elected partial cash or life guaranteed 13 years, if they elected no cash.

Members with a spouse must elect an actuarially equivalent pension in the form of joint and last survivor with 2/3 continuing to the survivor. Other options are available on an actuarially equivalent basis.

9. Pension adjustments

The pensions in payment may be increased on an annual basis. Pensions are increased by the excess of the earnings of the fund over 6.00%. However increases calculated in this manner may not be greater than the increase in the CPI in the same period.

For pensioners who retired prior to January 1, 1998 cumulative increases in the period January 1, 1998 to 2007 were guaranteed to be at least 75% of the increase in the CPI for that period.

10. Death benefits prior to retirement

For service prior to January 1, 1985, the benefit will be a return of member contributions with interest.

For service after January 1, 1985, the benefit will be equal to the commuted value of the pension earned in respect of this service.

11. Benefits on termination of employment

A member who terminates employment is entitled to a deferred pension payable from normal retirement date.

A member with less than 2 years of service may elect a return of member contributions with interest.

A member with more than 2 years of service but who is not age 45 with 10 years service may elect a return of member contributions with interest in respect of service prior to January 1, 1985 but the deferred pension for service after that date is locked-in. No more than 50% of this latter deferred pension can be paid for by the member's own contributions.

A member age 45 or more with 10 or more years of service may elect a refund of contributions with interest for service up to July 1, 1976 and a refund of 25% of the commuted value of the

deferred pension for service between July 1, 1976 and December 31, 1984. The balance of the deferred pension is locked-in. No more than 50% of the deferred pension in respect of service after January 1, 1985 can be paid for by the member's own contributions.

The commuted value of any locked-in pensions may be transferred to a locked-in retirement account.

12. Maximum Contributory Salary

The maximum salary for contributions is the sum of \$86,111 and 30% of the CPP earnings ceiling for the year. Thus in 2008, based on a CPP earnings ceiling of \$44,900, the maximum contributory salary is \$99,581.

13. Benefits on Disability

A member receiving benefits from the University's Long Term Disability (LTD) Plan continues to accrue credited service but is not required to make contributions. For pension calculation purposes, the salary is assumed to be equal to that paid to the member immediately prior to the commencement of the LTD benefit.

14. Commutation on Retirement

On retirement and in lieu of a pension, members may elect a transfer of the commuted value of their benefit to a LIRA or a LIF subject to the maximum transfer rules of the Income Tax Act. Those members who retire prior to age 65 and whose transfer value exceeds the maximum may receive the balance in cash or by means of an annuity certain to age 65. Others will receive any balance in cash.

SECTION 7. ACTUARIAL ASSUMPTIONS AND VALUATION METHODS

A. Going Concern Valuation

The assumptions are the same as those used at the previous valuation, except where noted.

1. Investment Return

6.0% per annum to retirement, 5.75% thereafter. At the previous valuation the assumed rates were 6.5% to retirement and 6.0% thereafter. Also, at the last valuation, in order to allow for the 75% of CPI indexing guarantee for those who retired prior to January 1, 1998, for those retired members and survivors, we assumed 5.0% interest for the period to 2007 and 6% thereafter. The assumed rates of investment return is based on our analysis of future expected investment return, reduced by a small margin for adverse deviations, and is consistent with the rates used for the purpose of discussions during 2007 amongst the various plan stakeholders and the Manitoba government with respect to managing the plan on a going-concern basis in the event an exemption is granted from solvency funding requirements. The lower post-retirement rate provides a some margin between the excess interest pension increase formula (which is based on fund investment returns in excess of 6%) and the interest rate used to value pension liabilities after retirement.

Where the value of deferred pension is determined for an active employee upon termination or death prior to retirement, the interest rate assumed for the deferral period is 5.5% per annum. At the previous valuation the rate was 6.0%. This rate allows for a portion of terminated members to elect to transfer a commuted value from the plan based on interest rates below the assumed valuation rates.

2. Salary Increases

- (i) General - Academic and Support – 2.5% in 2008 and 2009 and 4% thereafter. At the previous valuation, it was 2.5% per annum for the first year, 3% for the second and 4% thereafter. The rate after 2009 provides for a market-implied future inflation rate plus real salary increases at 1% to 1.5% above inflation. The 2008 and 2009 were selected upon review of collective bargaining agreements at the University.
- (ii) Promotional & Merit - Academic only – are provided in accordance with a table, based on prior studies, extracts of which are shown below.

Age	Average Annual Increase over next 5 years	Average Annual Increase to age 65
30	3.1%	2.2%
35	2.7%	2.1%
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%

3. Mortality

The Uninsured Pensioner Table projected to 2015 (UP94@15). This table is a commonly used table for pension valuation purposes.

4. Termination

In accordance with a table as used at previous valuations. There is no indication that this table needs to be reviewed. Specimen rates are as follows:

Age	Academic	Support
30	5.0%	7.5%
35	5.0%	5.6%
40	2.5%	3.7%
45	0.0%	1.9%
50	0.0%	0.0%
55	0.0%	0.0%
60	0.0%	0.0%

5. Retirement

The assumptions used are as shown below, the same as used in recent valuations. There is no indication that the rates of retirement need review.

Age*	Probability of Retirement
61**	25% (assuming age + service = 85)
65	75%
66	25%
67	25%
68	25%
69 + over	100%

* at or following the valuation date

** or the first age after 61 and prior to 65 where age + service = 85. For those members who were eligible to retire under ERO III but did not do so, we reduced this probability of retirement to 12.5%.

If the member is currently age 65 or older, the probability of immediate retirement is $.25 + (1-.25) \times \text{the probability from the above table}$. (where .25 is replaced by .125 for those eligible under ERO III).

6. Canada Pension Plan

Year's Maximum Pensionable Earnings = \$44,900 in 2008, increasing by 2.5% in 2009, by 2.5% in 2010 and by 4% per annum thereafter. This is selected to be consistent with salary increase assumptions. At the previous valuation the YMPE was \$41,100 in 2005, and assumed to increase by 2.5% in 2006, by 3% in 2007 and by 4% per annum thereafter.

7. Maximum Pension

\$1,722.22 per annum per year of service.

8. Maximum Contributory Salary

\$99,581 in 2008 and increasing thereafter based on the formula in the plan, and the projected increase in the CPP earnings ceiling.

9. Disabled Members

We assumed that disabled members would retire at age 65 and have no future salary increase.

10. Incidence of Decrements

For academic staff, all decrements were assumed to occur at September 1, at age $x + \frac{1}{2}$. For support staff, all decrements were assumed to occur at July 1 at age x .

11. Surplus Distribution – Superintendent's Order

The Superintendent's Order is based on the interpretation that the agreement reached in 2000 with respect to the allocation of surplus to plan members created a pension benefit credit protected under the Pension Benefits Act, notwithstanding that a subsequent agreement between plan stakeholder groups in 2003 contemplated that no further surplus distributions would be made under the 2000 agreement. The Superintendent's Order references an amount of surplus distribution of \$6,454,000 under the 2000 agreement and indicates that the distribution shall include interest to the date of distribution. The figure of \$6,454,000 was based on the actuarial valuation as at December 31, 1999, and properly should reflect interest since that date. There were also two actions taken in respect of this surplus amount:

- Pensions in payment were increased effective July 1, 2001 by 3.2% representing a full-year Consumer Price Index increase. The increase was higher than the increase that could be supported by the excess interest return earned by the fund, and Eckler Ltd. indicated at the time that the shortfall should be charged against the pensioners' share of the surplus. The amount of such shortfall was \$494,000 at December 31, 2000.
- As part of the subsequent 2003 stakeholder agreement, the University made payments to various stakeholder member groups in return for their agreement to cease further implementation of the 2000 agreement. The payments were made by the University near the end of 2004, totalling \$638,000. Although the payments were made directly by the University to plan members, they were clearly made in lieu of further surplus amounts under the 2000 agreement.

The remaining surplus distribution as at December 31, 2007 with adjustments for the above distributions and interest at the rate earned on the pension fund since December 31, 1999 is assumed to be \$8,098,000, developed yearly as follows:

Year	Fund Return	Offset (end of year)	Balance Updated (end of year)
1999			\$6,454,000
2000	6.75%	\$494,000	6,396,000
2001	-2.82%		6,216,000
2002	-7.07%		5,777,000
2003	12.42%		6,495,000
2004	8.86%	\$638,000	6,432,000
2005	11.98%		7,203,000
2006	12.65%		8,114,000
2007	-0.20%		8,098,000

Without information about the outcome of a further appeal of the Order, and without any indication whether the Trustees may consider distribution other than in the form of a taxable cash payment to members, we have assumed distribution will be by way of cash payment and that the University's lump sum payment into the Plan will be an exact offset to the cash payments made to members.

12. Actuarial Methods

We have used the unit credit actuarial cost method to determine the liabilities and the employer current service cost. This method, when used for valuing the liabilities, takes the present value of pensions accrued in respect of service to the valuation date. We compare the value of the liabilities in respect of service after 1984 to the contributions plus interest in respect of the same period to determine if the 50% test is applicable. If it is, we make the appropriate adjustment to the liability. We also make an adjustment to the liability if, in respect of service prior to 1985, the liability is less than the contributions plus interest for that period. The current service cost using this method is the cost of benefits expected to be earned by plan members in each year in the future. Ancillary benefits on pre-retirement death and termination of employment have been valued in a similar manner.

The objectives of this cost method are the systematic accumulation over time of dedicated assets which, without recourse to the assets of the University, secure the plan's benefits in respect of members' service already rendered, and the orderly and rational allocation of contributions among time periods.

Aside from experience other than assumed or changes in assumptions that may affect cost, an increase (or decrease) in the average age of the membership will increase (or decrease) the current service cost.

We show in Section 9, a projection of future current service costs.

B. Solvency Valuation

The assumptions and methods which have been used in the solvency valuation are as follows:

All members are assumed to terminate as of the date of the valuation, with immediate vesting for any members not already vested. We assume that annuities are purchased for all members age 55 or over at the date of the valuation (all pensioners and as applicable for active members). For members who are not yet age 55 at the valuation date, we assume that they will take a transfer of the commuted value of their pension benefit.

1. Actuarial Assumptions

- a. Active Members not yet age 55.
The commuted value is calculated in accordance with the Canadian Institute of Actuaries Standard of Practice regarding Pension Commuted Values at December 31, 2007. The interest rate was assumed to be 4.75% for the first 10 years and 5.0% thereafter for all future years. Pensions were assumed to commence at age 65 unless the member had 20 or more years of service in which case the commencement date is (85 – years of service) but not lower than age 61. Mortality after retirement was assumed to be in accordance with the UP94@15 mortality table.
- b. Pensioners and active members age 55 and over.
It was assumed that the annuity pricing would have assumed mortality in accordance with the UP94@15 mortality table and an interest rate of 4.5%.
- c. Expenses
An allowance was made for the expenses of wind-up of \$20,000 plus \$300 for each member, or \$183,000.

2. Actuarial Methods

- a. Liabilities
We determined the liabilities by taking the present value of pension accrued in respect of service to the valuation date.
- b. Assets
Assets were taken at market value.

SECTION 8. MEMBERSHIP SUMMARY

Membership data were compiled as of December 31, 2007 from records maintained by Mercer Human Resource Consulting and by the University. The data were reconciled to that used in the previous valuation and any inconsistencies were discussed and resolved. We are satisfied that the data are sufficient and reliable for the purposes of the valuation.

1. Membership reconciliation

	Academic	Support	Inactives	Pensioners	Survivors
At December 31, 2004	171	158	57	176	13
Retirements					
- with temporary or life pension	(18)	(18)	(1)	37	
- with full CV	(6)	(4)			
Terminated					
- no further liability	(3)	(3)	(4)		
- with continuing liability		(1)	1		
Deaths					
- no further liability				(11)	
- with continuing liability	(1)		1	(4)	4
Expiry of bridge/term certain pension				(3)	
Adjustments	—	—	<u>1</u>	—	—
At December 31, 2007	143	132	55	195	17

2. Academic Staff Members (excluding disabled)

Age	No.	Males		No.	Females	
		Average Salary	Average Service (Yrs)		Average Salary	Average Service (Yrs)
35-39				1	***	7.8
40-44	5	\$70,995	8.9	1	***	7.5
45-49	7	81,047	12.7	4	\$74,381	11.0
50-54	16	84,676	17.7	15	78,200	16.8
55-59	23	88,282	21.6	13	84,785	21.7
60-64	24	101,119	26.3	8	88,901	22.7
65-69	<u>16</u>	<u>107,131</u>	<u>31.9</u>	<u>5</u>	<u>104,717</u>	<u>21.8</u>
	91	\$92,841	22.6	47	\$83,923	18.8
Average salary-weighted age:				Males		58.4
				Females		56.5
Total contributions with interest:				Males		\$17.185 million
				Females		\$5.854 million

3. Academic Staff Members (disabled)

50-54	1	***	23.3			
55-59				2	***	22.3
60-64	<u>—</u>	<u>—</u>	<u>—</u>	<u>2</u>	<u>***</u>	<u>14.8</u>
Total	1	***	23.3	4	\$79,742	18.5
Total contributions with interest:				Males		\$0.149 million
				Females		\$0.459 million

4. Support Staff Members (excluding disabled):

Age	No.	Males		No.	Females	
		Average Salary	Average Service (Yrs)		Average Salary	Average Service (Yrs)
30-34	1	***	13.6			
35-39	4	\$47,541	9.2	2	***	7.8
40-44	5	45,344	9.9	7	\$46,028	13.3
45-49	5	46,088	16.4	13	48,581	15.6
50-54	10	56,508	19.5	28	47,618	19.6
55-59	10	56,544	21.9	18	52,011	21.2
60-64	3	75,443	23.3	14	46,972	17.3
65-69	<u>1</u>	<u>***</u>	<u>17.1</u>	<u>1</u>	<u>***</u>	<u>4.4</u>
	39	\$53,711	17.5	83	\$48,084	17.9

Average salary-weighted age:

Males 51.7

Females 53.2

Total contributions with interest:

Males \$2.903 million

Females \$5.377 million

5. Support Staff Members (disabled):

40-44				1	***	6.6
45-49	1	***	9.6	3	\$29,666	19.2
50-54				1	***	25.9
55-59				1	***	20.7
60-64	<u>1</u>	<u>***</u>	<u>9.6</u>	<u>3</u>	<u>30,787</u>	<u>16.7</u>
	1	***	9.6	9	\$31,985	17.9

Total contributions with interest:

Males \$0.016 million

Females \$0.328 million

6. Pensioners and Survivors:

Total Monthly Pension at the valuation date

Males

Age	No.	Payable for Life	Temporary to Age 65
55-59	4	\$2,158	\$1,613
60-64	15	30,984	8,147
65-69	24	65,735	1,529
70-74	45	116,178	
75-79	21	56,448	
80-84	14	38,343	
85-89	6	20,157	
90-94	<u>3</u>	<u>2,014</u>	
	132	\$332,017	\$11,289

Females

Age	No.	Payable for Life	Temporary to Age 65
50-54	1	\$1,440	
55-59	7	12,698	\$211
60-64	9	10,576	
65-69	24	31,562	
70-74	15	17,444	
75-79	10	20,064	
80-84	6	9,042	
85-89	6	6,820	
90-94	<u>2</u>	<u>807</u>	
	80	\$110,453	\$211

7. Deferreds and Inactives

Number	55
Average Age	51.5
Average Monthly Pension	\$379
Total Contributions with Interest	\$1.356 million

SECTION 9. PROJECTED FUTURE CONTRIBUTIONS AND CURRENT SERVICE SHORTFALL

Year	Employee Contributions	University Regular Contributions	University Contributions for LTD	Current Service Shortfall
2008	872,000	1,088,000	33,000	304,000
2009	808,000	1,011,000	32,000	295,000
2010	776,000	972,000	32,000	291,000
2011	743,000	930,000	29,000	285,000
2012	717,000	891,000	24,000	285,000
2013	680,000	844,000	21,000	275,000
2014	635,000	788,000	18,000	276,000
2015	581,000	719,000	15,000	258,000
2016	539,000	669,000	15,000	255,000
2017	496,000	617,000	14,000	247,000
2018	446,000	555,000	12,000	214,000
2019	396,000	490,000	8,000	195,000
2020	340,000	423,000	8,000	161,000
2021	291,000	363,000	8,000	135,000
2022	250,000	312,000	7,000	119,000
2023	208,000	262,000	6,000	98,000
2024	173,000	218,000	6,000	78,000
2025	148,000	187,000	5,000	71,000
2026	131,000	165,000	4,000	70,000
2027	108,000	135,000	2,000	65,000
2028	88,000	109,000	1,000	51,000
2029	73,000	90,000	-	41,000
2030	63,000	77,000	-	37,000
2031	51,000	63,000	-	29,000
2032	38,000	46,000	-	21,000
2033	28,000	35,000	-	17,000
2034	21,000	26,000	-	12,000
2035	14,000	18,000	-	7,000
2036	10,000	13,000	-	4,000
2037	9,000	11,000	-	4,000
2038	6,000	7,000	-	3,000
2039	2,000	2,000	-	1,000
2040	1,000	2,000	-	-
2041	1,000	1,000	-	-
2042	-	1,000	-	-

SECTION 10. ACTUARIAL OPINION

Actuarial Opinion with respect to the defined benefit part of the University of Winnipeg Pension Plan forming part of the actuarial report dated June 11, 2008, on a valuation of the plan at December 31, 2007.

I hereby certify that, in my opinion,

- (a) For the purposes of funding the plan, the defined benefit part of the plan has a going-concern unfunded liability of \$2,384,000 which the University is funding at the rate of \$386,000 per year. Payments are scheduled for 12 years following the valuation date or until a subsequent valuation determinates that the unfunded liability has been eliminated.
- (b) For the purposes of satisfying the requirements of Manitoba Regulation 141/2007, the plan has a solvency deficiency of \$20,665,000. In the absence of the exemption to make solvency payments, the annual special payments to fund the deficiency would be \$4,608,000 for the 5 year period beginning in 2008.
- (c) The estimated cost of benefits in the next three years is as follows:

	Employee Contributions	University Contributions	Balance	Total Cost
2008	\$872,000	\$1,121,000	\$304,000	\$2,297,000
2009	808,000	1,043,000	295,000	2,146,000
2010	776,000	1,004,000	291,000	2,071,000

Since the plan has a going-concern unfunded liability, the University must pay the balance of the current service cost in the next three years.

- (d) In accordance with an Order by the Superintendent of Pensions for Manitoba, the University must make a lump sum payment into the Plan, calculated to be \$8,098,000 at December 31, 2007, in addition to contributions otherwise required for the cost of accruing benefits and special payments for an unfunded liability. Members are entitled to a surplus allocation of the same total value under the Order. The payment is being delayed pending the outcome of an appeal by the University to the Manitoba Court of Appeal.
- (e) If the plan were to be wound up on the valuation date, the liabilities would exceed the assets.
- (f) The plan should be subject to a further valuation no later than December 31, 2010.

Notwithstanding the above, emerging experience which differs from the assumptions on which this opinion is based will result in gains or losses which will be revealed in future valuations.

In my opinion,

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

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

June 11, 2008

Date

A. Douglas Poapst

Fellow of the Society of Actuaries

Fellow of the Canadian Institute of Actuaries

SECTION 11. CERTIFICATION OF DATA AND PLAN TERMS

With respect to the University of Winnipeg Pension Plan forming part of an actuarial report on a valuation of the plan as at December 31, 2007:

I hereby certify that, to the best of my knowledge and belief,

- a) the summary of plan provisions contained in this report is a complete and accurate summary of the terms of the plan,
- b) the membership data supplied to the actuary provides a complete and accurate description of all persons who are entitled to benefits under the terms of the plan in respect of service up to the date of the valuation, and
- c) all events subsequent to the valuation date that may affect the results of the valuation have been communicated to the actuary.

I further certify that I have reviewed and approved the assumptions used in this valuation.

Date: _____

Signed: _____

Name: _____

Title: _____