

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

**Annual Report and Financial Statements**

**For the Year Ended December 31, 2014**

THE UNIVERSITY OF WINNIPEG  
TRUSTEED PENSION PLAN

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the Year Ended December 31, 2014

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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):

Trustee position vacant from July 1, 2014

For the University:

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

**Colin Morrison** is the General Counsel & Corporate Secretary

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

For the University of Winnipeg Excluded Employees:

**Mary Anne Walls** is the University's Manager, Campus Health & Wellness

For the University of Winnipeg Faculty Association (UWFA):

**Hans Werner** is a Professor in History, Mennonite Studies (on leave from January 1, 2015)

**Murray Wiegand** is a Professor in Biology

For the University of Winnipeg Retirees Association (UWRA):

**Jane Barske** is a retired Support employee from the University Library (Trustee to December 31, 2014)

**Ed Byard** is a retired Biology Professor (UWRA Trustee from January 1, 2015)

**Annabelle Mays** is a retired Dean of Education and Extended Learning

External Trustees:

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

**Henry Hudek**, MBA, CFA, is the Vice-President, Business Development with Cardinal Capital Investment working 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)
- Mary Anne Walls (Secretary)

### Defined Benefit Committee:

- Mike Emslie (Chair)
- Barry Barske
- Colin Morrison
- Ron Youngson
- Lorne Hilton
- Murray Wiegand
- Annabelle Mays

### Operations Committee:

- Colin Morrison (Chair)
- Henry Hudek
- Ed Byard
- Mary Anne Walls
- Mike Emslie
- Hans Werner

### Defined Contribution Committee:

- Ron Youngson (Chair)
- Hans Werner
- Henry Hudek
- Ray Erb
- Laurel Repski
- Mary Anne Walls



*Standing (L-R): Bill Evans, Ron Youngson, Hans Werner, Ed Byard, Rob Sveinson, Barry Barske  
Sitting (L-R): Ray Erb, Laurel Repski, Mary Anne Walls, Henry Hudek, Mike Emslie, Colin Morrison  
Missing: Murray Wiegand, Lorne Hilton*



## REPORT OF THE CHAIR

Returns for the year 2014 were reasonable for most equity markets and the Canadian bond market. This continued to be good news for your Pension Plan assets. The DB portion of the Plan had a positive investment return which again resulted in a four-year smoothed investment return in excess of 6%. This triggers another cost of living increase in benefits to DB pensioners to be paid July 1, 2015. For DC members all of the funds available in the Plan returned positive results for the year, which reinforces the value of having increased savings for later years.

This investment outcome is primarily a result of continuing strength in the US economy, and the possibility of Europe's economy having bottomed, supported by a program of Quantitative Easing announced by the European Central bank.

In addition to the Asset Allocation changes implemented last year, a modest allocation of DB assets to Real Estate and Emerging Markets was made. While these steps are expected to continue to be beneficial for the assets of the Plan, DB members should remember that their benefits are payable by the Plan, regardless of investment returns.

The DB Committee is continuing to review its investment managers with a view to maintaining performance and reducing fees, while the DC Committee has re-engaged Sun Life as Service Provider of the DC plan. We hope that you notice a renewed vigour in Sun Life's efforts to provide information, education and on-line tools to assist DC members in the management of their pension assets. At the ongoing instigation of members, we continue to seek more Socially Responsible Investment vehicles to add to the selection available in the DC plan. We are hopeful of another positive year in 2015.

Henry Hudek  
(Chair)

## OPERATIONS COMMITTEE REPORT

The Operations Committee is responsible for Plan governance and also serves as the Board's Audit Committee. Principal activities therefore include the preparation of an annual budget in conjunction with the Treasurer, meeting with the Plan auditors before and after completion of the annual audit, and reviewing the Plan's compliance with the Canadian Association of Pension Supervisory Authorities (CAPSA) Guidelines concerning best practices for governance of Pension Plans.

The Committee's activities over the last year included a review of the audit plan and results of the audit with the Plan auditors, KPMG. There were no substantive issues reported by KPMG arising from the Audit of the 2014 financial year requiring Board of Trustees attention.

The Committee developed a Request For Proposal for DB Custodian Services which will be issued in June 2015. The Custodian Services agreement is the last remaining Pension Plan service agreement to be reviewed since the Board of Trustees assumed the role of Administrator for the University of Winnipeg Trusteed Pension Plan. All other existing service agreements have been reviewed and in some cases, changes to service providers have been made. As a follow up to the November 2013 transfer of DB administration services to Eckler, the Committee conducted a review of Eckler services and while noting there were some issues arising from the transition, Eckler responded promptly to correct those and no further issues have arisen.

In 2014 the Board of Trustees implemented automatic deductions from pensions for the United Way and the University of Winnipeg Foundation. This service for pensioners was implemented on a trial basis for a period of eighteen months following which the service will be reviewed. On the basis of the Committee's current review it has been noted that to date only a single person has signed up for this service, however, this may be due to the delayed implementation of the service, after both the fundraising campaigns were largely concluded. The service will be more actively promoted during 2015 with the hope of increasing participation numbers.

The Committee considered a matter that had arisen relating to division of pension whereby a number of opting out agreements were executed using an incorrect form. The issue was resolved by completion of the correct form where appropriate with no significant exposure to the Plan resulting.

The Committee noted that a significant number of DB retirees commuted their pensions in 2014 and requested information from the Plan actuary as to the long term effect on the Plan if this trend continues. Following initial deliberations, the matter was turned over to the DB Committee to determine whether a Plan amendment should be sought to eliminate this option for future retiring DB Plan members. In the event that the DB Committee brings forth a recommendation for a Plan amendment to eliminate future commutations by DB retirees, the Operations Committee will then address the requirements to implement, including amending the Plan.



The Committee also considered ongoing Board of Trustees Education, and in that regard created a document setting out the basic knowledge that Trustees require to properly discharge their responsibilities (Trustee Body of Critical Knowledge document) together with a list outlining the various educational programs available (Education Opportunities document). The Committee conducted in 2014 a seminar on Communications for Trustees and may conduct further internal seminars to provide training on the basic knowledge requirements set out in the Trustee Body of Critical Knowledge document as may be necessary.

Colin Morrison  
(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 BENEFITS COMMITTEE REPORT

2014 was another good year of investment returns in the Pension Plan. The changes to the Statement of Investment Policy (SIP) in 2013 and the resulting changes to the asset mix of the Plan resulted in improved returns from the Plan, as we increased our exposure to foreign equities which outperformed Canadian equities in the year.

While investment returns were strong on an absolute basis; the new asset mix contributed to that strength, while some of our managers lagged their benchmarks. The Committee has been actively meeting with these managers to discuss the underlying causes and ensure we are comfortable with their strategies moving forward.

The new SIP includes a de-risking strategy which will see a decrease in the percentage of assets dedicated to growth such as equities and an increase in fixed income assets over time as the Plan's funded position increases through gains in the market and additional contributions from the University. The returns in 2013 were sufficient to move the fund along the glide path to a more conservative investment position where we have crystalized some of the gains of previous years. The reduction in equities and increased exposure to fixed income was executed in late 2014 once the 2013 Actuarial valuation was finalized.

Continued strong returns from the Plan 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 two years of .83% July 1, 2013 and 1.24% July 1, 2014. It is expected that there will be a further cost of living increase July 1, 2015.

Mike Emslie  
(Chair)

## DEFINED CONTRIBUTIONS COMMITTEE REPORT

The last year continued to be busy for the Defined Contribution Committee. Activities included finalization of the Services Agreement with Sun Life, stemming from Sun Life being confirmed as the DC service provider following a formal Request for Proposal (RFP) process that was conducted in 2013/14.

The DC Committee also conducted an annual fund review as well as a plan review meeting with Sun Life. The DC Committee monitors on a regular basis the costs, efficiencies, performance and breadth of the funds that are available for selection by DC plan members and Sun Life assists the Committee with this review. The major finding by Sun Life at this year's review was that the investment fund menu is still too extensive and should be reviewed with an eye toward reducing the number of choices. Another member survey on this topic will be conducted in 2015.

The availability and make-up of Socially Responsible Investment funds was also reviewed and will continue to be discussed by the DC Committee and the Board of Trustees as a whole. Other Universities will be canvassed to determine what they are doing in this regard.

Customized Quarterly service updates are now provided by Sun Life and reviewed by the Committee for service gaps or non-delivery. To date service updates have been considered as satisfactory.

A new Sun Life Home page was developed for our members by Sun Life and now presents a customized landing page which displays the University of Winnipeg logo. Annual Member education sessions were conducted by Sun Life in March 2015. Attendance at the education sessions continues to be comparatively low given the number of Plan members. The DC Committee encourages all Plan members to take an active interest in their DC Plan, including taking advantage of any education opportunities.

Member statements are now available online and the up take by members will be monitored and reported on. Online new member enrollment is now available through Sun Life however implementation will not occur until the DC Committee is satisfied that there will be no adverse consequences to Plan members through delayed entry.

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, 2014, 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)

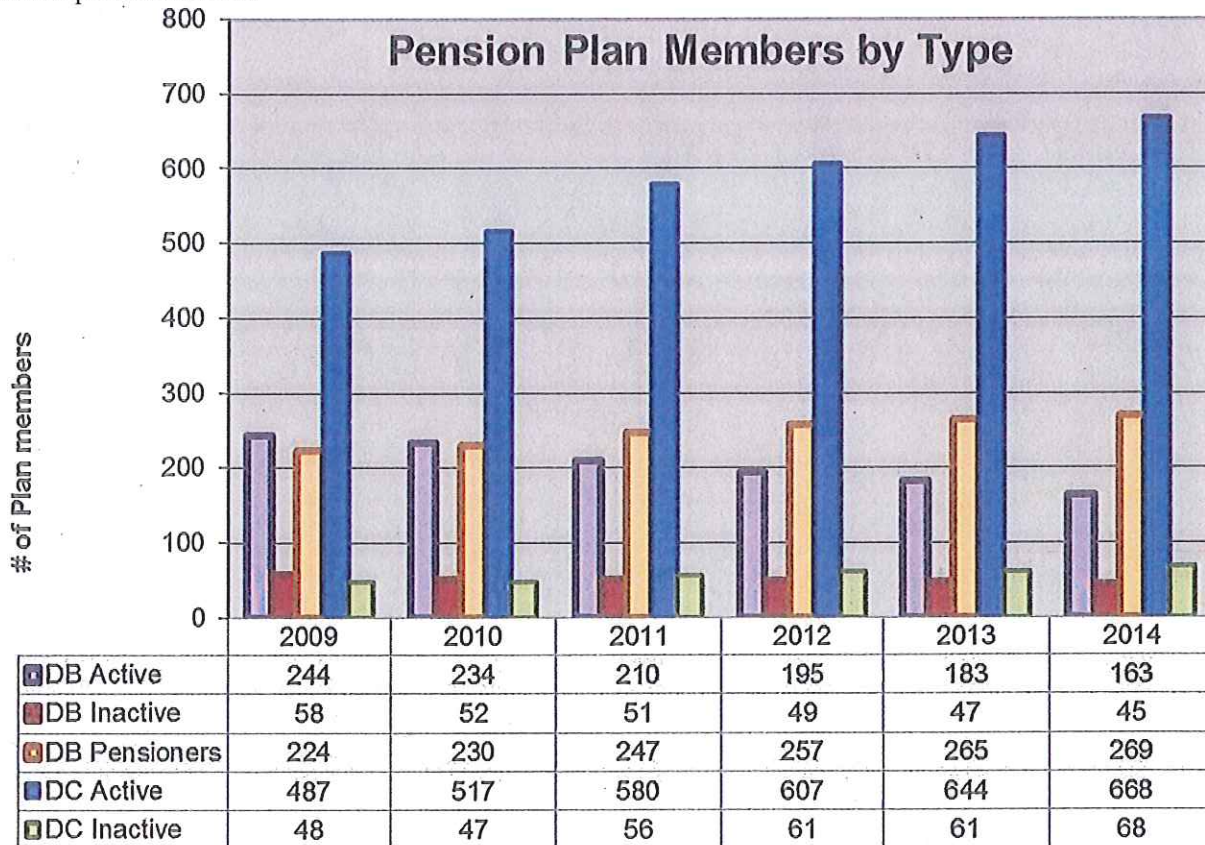
The formula pension is subject to a Plan benefit maximum of \$1,722.22 per year of pensionable service, according to the current Plan provisions. Retirement options include a choice of monthly pension from a variety of payment options, or a transfer of the Commuted Value to a LIRA (Locked-In Retirement 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. It should be noted that an Inactive member is a DB or DC member who has left the University but has not yet settled his/her pension benefit.

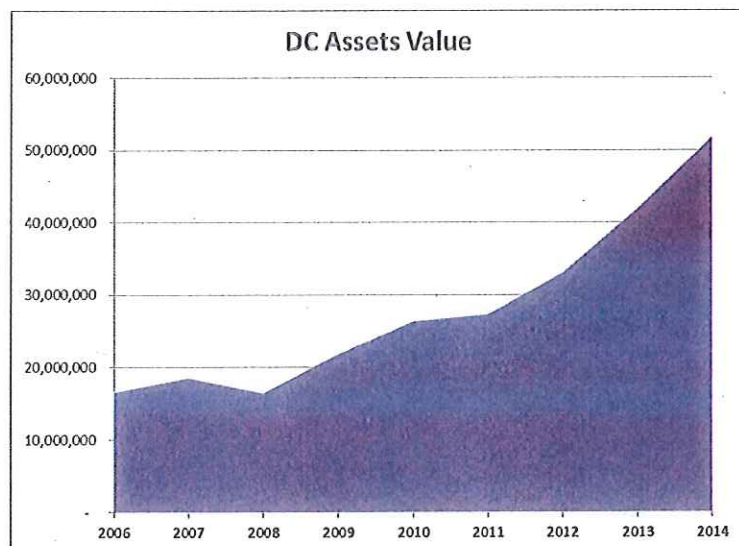


#### Financial Results:

The 2014 financial statements were prepared in accordance with CPA accounting standards for Pension Plans. The returns on Plan assets for 2014 were positive; when combined with contributions from the University and Plan members, the net assets of the Plan at December 31, 2014 increased by \$12 million to \$180.3 million from \$168.3 million at December 31, 2013.

The net return for 2014 on the Defined Benefit component, based on market value and net of expenses, was 9.23% (as compared to 13.8% for 2013). According to the smoothing calculation, which is a geometric average of returns over a four year period, the return on the fund was 7.2% (as compared to 7.45% for 2013).

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 2014 was 7.2%, a cost of living increase of 1.2% will be payable effective July 1, 2015.



The net return on the Defined Contribution component varies by fund and by Plan member depending on individual fund selection. The graph to the left provides an overview of the changes in DC Assets over time. Increased members, increased contributions and positive returns have led to an increase in assets.

The assets of the Defined Benefit component of the plan have increased since the downturn of 2008 through a combination of positive financial returns from the market and increased special contributions from the University.

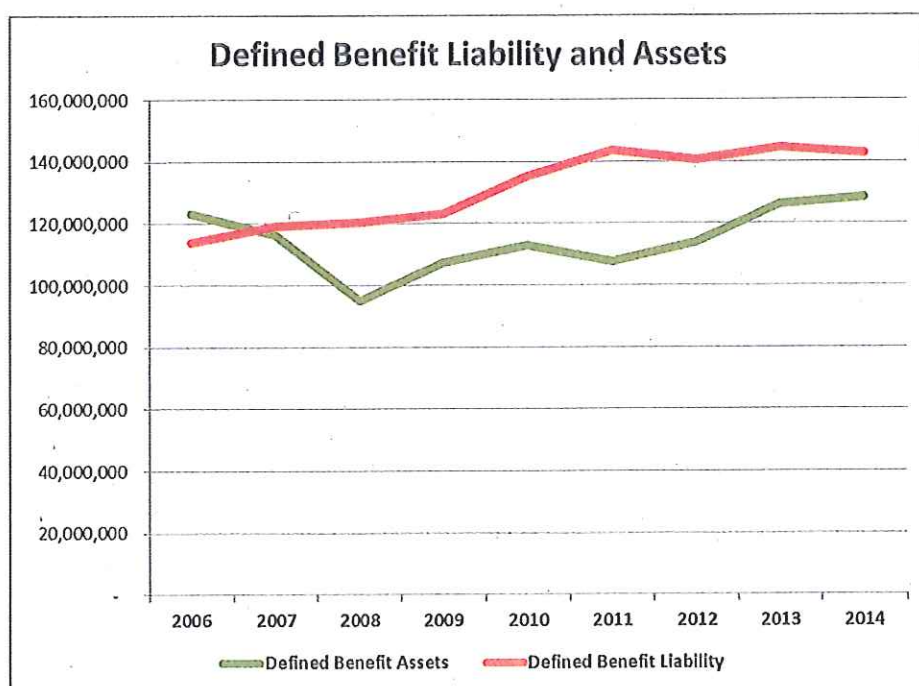
### Valuation

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, 2013.

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, 2013 from December 31, 2012.

As a result the University's special funding payments for the period starting January 1, 2013 were reduced somewhat. The decrease in the unfunded liability is the result of better than anticipated investment returns in 2013 and the impact of the special funding payments made by the University.

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. The 2013 going concern ratio was over 85% which was the first threshold in the SIP so the proportion of the Plan's assets invested in income generating investments was increased before the end of 2014.





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 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 2014 of \$2.4 million. This is made up of \$371,000 to fund a current service shortfall and Plan expenses (the cost of DB benefits earned by active DB members plus Plan expenses in 2013 were \$371,000 higher than the member and University's basic contributions for the year, that difference was made up by additional contributions from the University) and \$2 million to address the "going-concern" actuarial valuation deficiency for 2014. 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 2014 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

| Contributions              | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> |
|----------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| DB Member                  | 878,431     | 852,196     | 785,478     | 873,936     | 958,753     | 893,509     |
| DB University              | 1,780,380   | 1,745,399   | 4,501,369   | 5,160,859   | 4,211,465   | 3,486,099   |
| DC Member                  | 1,381,500   | 1,506,344   | 1,603,161   | 2,020,518   | 2,532,999   | 2,764,090   |
| DC University              | 1,402,948   | 1,520,145   | 1,620,873   | 2,033,904   | 2,549,143   | 2,768,105   |
|                            | 5,443,259   | 5,624,084   | 8,510,881   | 10,089,217  | 10,252,360  | 9,911,803   |
| <b>Distributions</b>       |             |             |             |             |             |             |
| DB Pensioners              | 5,922,666   | 6,219,149   | 6,659,993   | 7,214,854   | 7,578,593   | 7,880,869   |
| DB Refunds & Transfers     | 361,508     | 1,866,029   | 2,476,906   | 917,849     | 508,277     | 5,656,105   |
| DC Refunds & Transfers     | 525,091     | 1,141,792   | 1,948,097   | 632,782     | 1,451,104   | 690,465     |
| DB Investment Manager Fees | 376,132     | 399,344     | 398,867     | 392,836     | 428,289     | 559,254     |
| DB Actuarial Fees          | 56,275      | 82,432      | 144,158     | 83,863      | 61,013      | 36,055      |
| DB Custodial Fees          | 46,718      | 52,309      | 45,428      | 44,903      | 47,603      | 48,619      |
| DB/DC Administration Fees  | 60,018      | 37,098      | 25,137      | 41,151      | 35,756      | 29,226      |
| DB/DC Other Expenses       | 127,612     | 122,225     | 106,964     | 96,421      | 119,062     | 79,194      |
|                            | 7,476,020   | 9,920,378   | 11,805,550  | 9,424,659   | 10,229,697  | 14,979,787  |

**Benefit Payments:**

Benefit payments to DB pensioners increased by \$302,276. An unusually high number of members commuted their pension benefits this year resulting in a significant increase in the value of the refunds and transfers paid to DB members up \$5.1 million to \$5.7 million in 2014. DC refunds and transfers were down \$760,639 from last year. Overall, Plan expenses were up slightly as increased assets resulted in increased investment management fees. These fee increases were off-set to some degree by reduced consulting fees resulting from the RFP performed last year and the end of the project to draft a SIP for the DB component of the Plan.

**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, 2014.

| Fund Name                 | %     | Fund Name                      | %     |
|---------------------------|-------|--------------------------------|-------|
| B.G. Balanced Fund        | 10.5% | MB Responsible Balanced        | 1.1%  |
| B.G. Global Fund          | 0.2%  | MB Responsible Cdn. Equity     | 0.9%  |
| B.G. American Equity      | 4.3%  | MB Responsible Global Research | 0.6%  |
| BLK Active Canadian Eq.   | 4.2%  | SLA Universe Bond Fund         | 3.5%  |
| JF Canadian Equity Fund C | 2.7%  | SLA 5Yr Guaranteed Fund        | 0.8%  |
| MB Cdn Equity Core Fund   | 0.4%  | SLF Money Market               | 1.6%  |
| MB Global Research A      | 1.2%  | TDAM Balanced Index Fund       | 30.5% |
| MB Global Equity Fund     | 3.1%  | TDAM Cdn Bond Index Fund       | 2.8%  |
| MB Lifeplan 2015          | 2.3%  | TDAM Cdn Equity Index Fund     | 3.1%  |
| MB Lifeplan 2020          | 6.7%  | TDAM Global Equity Index       | 0.3%  |
| MB Lifeplan 2025          | 4.0%  | TDAM US Mkt Index Fund         | 1.7%  |
| MB Lifeplan 2030          | 2.9%  |                                |       |
| MB Lifeplan 2035          | 3.3%  |                                |       |
| MB Lifeplan 2040          | 2.8%  |                                |       |
| MB Lifeplan 2045          | 1.8%  |                                |       |
| MB Lifeplan 2050          | 0.5%  |                                |       |
| MB Lifeplan Retiree       | 2.1%  |                                |       |

Michael D. Emslie, CA

Treasurer, University of Winnipeg Trusteed Pension Plan

June 8, 2015



# 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 Bill Balan)*

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Bill Balan  
Vice-President (Finance & Administration)

*(Original signed by Michael Emslie)*

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Michael Emslie, CA  
Associate Vice-President Finance &  
Operations

June 8, 2015



Andrew Kulyk, FSA, FCIA

**Eckler Ltd.**

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## Actuary's Opinion

Eckler Ltd. had been retained by the University of Winnipeg to perform an actuarial valuation of the assets and the going-concern liabilities of the defined benefit part of the University of Winnipeg Pension Plan (the "Plan") as at December 31, 2013 and adapted that valuation for inclusion in the Plan's financial statements. Eckler Ltd. has been retained by The Board of Trustees of the University of Winnipeg Trusteed Pension Plan Trust to prepare an extrapolation of the results of that valuation to December 31, 2014 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.

May 19, 2015  
Date

*(Original signed by Andrew Kulyk)*  
\_\_\_\_\_  
Andrew Kulyk,  
Fellow of the Institute 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, 2014, 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 Consolidated 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 consolidated 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, 2014, 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 Accountants

June 8, 2015

Winnipeg, Canada

# UNIVERSITY OF WINNIPEG TRUSTEED PENSION PLAN

## Statement of Financial Position

December 31, 2014, with comparative figures for 2013

|  | 2014                | 2013                |
|--|---------------------|---------------------|
| <b>Assets</b>  |                     |                     |
| Cash   | 1,900,609           | 22,429,540          |
| Contributions receivable:  |                     |                     |
| Members  | 64,758              | 70,938              |
| University   | 274,408             | 86,627              |
| Investments (schedule A)   | <u>178,379,233</u>  | <u>145,910,318</u>  |
|  | <u>180,619,008</u>  | <u>168,497,423</u>  |
| <b>Liabilities</b>   |                     |                     |
| Accounts payable and accrued liabilities   | 172,634             | 169,404             |
| Due to University of Winnipeg  | <u>172,358</u>      | <u>22,907</u>       |
|  | <u>344,992</u>      | <u>192,311</u>      |
| <b>Net Assets Available for Benefits</b>   |                     |                     |
| Available for defined contribution obligations   | 51,772,537          | 41,889,065          |
| Available for defined benefit obligations  | <u>128,501,479</u>  | <u>126,416,047</u>  |
|  | 180,274,016         | 168,305,112         |
| <b>Obligations for Pension Benefits</b>  |                     |                     |
| Defined contribution obligations   | 51,772,537          | 41,889,065          |
| Actuarial present value of accrued pension benefits  | <u>142,734,000</u>  | <u>144,639,000</u>  |
| <b>Deficiency of Net Assets Available for Benefits over Obligations for Pension Benefits</b> | <u>(14,232,521)</u> | <u>(18,222,953)</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, 2014, with comparative figures for 2013  
(see schedule C)

|  | 2014               | 2013               |
|--|--------------------|--------------------|
| Increase (decrease in assets:                            |                    |                    |
| Contributions (note 6):                                  |                    |                    |
| Members  |                    |                    |
| Required contributions                                   | 3,657,599          | 3,491,752          |
| University   |                    |                    |
| Current service contributions                            | 4,251,204          | 3,996,608          |
| Special contributions                                    | 2,003,000          | 2,764,000          |
| Transfers from other plans                               | 70,042             | 161,096            |
| Investment income  | 8,029,507          | 5,661,273          |
| Current period change in fair value of investments       | 3,264,260          | 10,414,617         |
| Net realized gain on sale of investments                 | 5,673,079          | 5,226,686          |
|  | <u>26,948,691</u>  | <u>31,716,032</u>  |
| Decrease in assets:                                      |                    |                    |
| Benefits paid  |                    |                    |
| Retirement benefit payments                              | 7,880,869          | 7,578,593          |
| Termination benefit payments                             | 5,533,686          | 1,949,659          |
| Death benefit payments                                   | 812,884            | 9,722              |
| Administrative expenses:                                 |                    |                    |
| Investment managers' fees                                | 559,254            | 428,289            |
| Actuarial fees   | 36,055             | 61,013             |
| Administrator's fees                                     | 29,226             | 35,756             |
| Custodial fees   | 48,619             | 47,603             |
| Audit fees   | 17,159             | 15,568             |
| Other expenses   | 62,035             | 103,494            |
|  | <u>752,348</u>     | <u>691,723</u>     |
|  | <u>14,979,787</u>  | <u>10,229,697</u>  |
| Net increase (decrease) in assets available for benefits | 11,968,904         | 21,486,335         |
| Net assets available for benefits, beginning of year     | <u>168,305,112</u> | <u>146,818,777</u> |
| Net assets available for benefits, end of year           | <u>180,274,016</u> | <u>168,305,112</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, 2014, with comparative figures for 2013

|  | 2014                          |                                    |                    | 2013                          |                                    |                    |
|--|-------------------------------|------------------------------------|--------------------|-------------------------------|------------------------------------|--------------------|
|  | Defined<br>Benefit<br>Segment | Defined<br>Contribution<br>Segment | Total              | Defined<br>Benefit<br>Segment | Defined<br>Contribution<br>Segment | Total              |
| OBLIGATIONS FOR PENSION<br>BENEFITS, BEGINNING OF YEAR | 144,639,000                   | 41,889,065                         | 186,528,065        | 140,614,000                   | 32,997,230                         | 173,611,230        |
| Interest accrued on benefits                           | 8,335,000                     | -                                  | 8,335,000          | 8,062,000                     | -                                  | 8,062,000          |
| Net investment return                                  | -                             | 4,971,700                          | 4,971,700          | -                             | 5,099,701                          | 5,099,701          |
| Experience gains and losses                            | (275,000)                     | -                                  | (275,000)          | 932,000                       | -                                  | 932,000            |
| Contributions and transfers in                         | -                             | 5,602,237                          | 5,602,237          | -                             | 5,243,238                          | 5,243,238          |
| Benefits accrued                                       | 2,080,000                     | -                                  | 2,080,000          | 2,477,000                     | -                                  | 2,477,000          |
| Benefits paid, refunds and transfers                   | (13,537,000)                  | (690,465)                          | (14,227,465)       | (8,087,000)                   | (1,451,104)                        | (9,538,104)        |
| Actuarial (gain) loss                                  | 1,492,000                     | -                                  | 1,492,000          | 641,000                       | -                                  | 641,000            |
| OBLIGATIONS FOR PENSION<br>BENEFITS, END OF YEAR       | <u>142,734,000</u>            | <u>51,772,537</u>                  | <u>194,506,537</u> | <u>144,639,000</u>            | <u>41,889,065</u>                  | <u>186,528,065</u> |

# UNIVERSITY OF WINNIPEG TRUSTEED PENSION PLAN

## Summary of Investments

December 31, 2014, with comparative figures for 2013

|                        | 2014        |             |              | 2013        |             |              |
|------------------------|-------------|-------------|--------------|-------------|-------------|--------------|
|                        | Fair Value  | Cost        | % Fair Value | Fair Value  | Cost        | % Fair Value |
| Defined benefit:       |             |             |              |             |             |              |
| Fixed Income           | 44,536,798  | 42,996,392  | 35.18        | 37,813,574  | 37,482,555  | 36.36        |
| Canadian Equities      | 21,511,205  | 17,360,931  | 16.99        | 31,745,822  | 25,409,004  | 30.51        |
| U.S. equities          | 18,899,730  | 15,269,341  | 14.93        | 15,377,320  | 12,391,062  | 14.78        |
| International equities | 28,235,181  | 23,445,242  | 22.30        | 18,794,502  | 15,144,631  | 18.07        |
| Real Estate            | 13,423,706  | 12,425,000  | 10.60        | -           | -           | -            |
| Short-term             | 76          | 76          | -            | 290,035     | 290,035     | 0.28         |
|                        | 126,606,696 | 111,496,982 | 100.00       | 104,021,253 | 90,717,287  | 100.00       |
| Defined contribution   | 51,772,537  | 47,652,237  | 100.00       | 41,889,065  | 39,256,098  | 100.00       |
| Total investments      | 178,379,233 | 159,149,219 | 100.00       | 145,910,318 | 129,973,385 | 100.00       |

# UNIVERSITY OF WINNIPEG TRUSTEED PENSION PLAN

Statement of Financial Position by Segment

December 31, 2014

|  | Defined<br>Benefit<br>Segment | Defined<br>Contribution<br>Segment | Total                |
|--|-------------------------------|------------------------------------|----------------------|
| <b>Assets</b>  |                               |                                    |                      |
| Cash   | 1,900,609                     | -                                  | 1,900,609            |
| Contributions receivable:  | -                             | -                                  | -                    |
| Members  | 64,758                        | -                                  | 64,758               |
| University   | 274,408                       | -                                  | 274,408              |
| Investments (schedule A)   | 126,606,696                   | 51,772,537                         | 178,379,233          |
|  | <u>128,846,471</u>            | <u>51,772,537</u>                  | <u>180,619,008</u>   |
| <b>Liabilities</b>   |                               |                                    |                      |
| Accounts payable and accrued liabilities   | 166,634                       | 6,000                              | 172,634              |
| Due to University of Winnipeg  | 178,358                       | (6,000)                            | 172,358              |
|  | <u>344,992</u>                | <u>-</u>                           | <u>344,992</u>       |
| <b>Net Assets Available for Benefits</b>   | 128,501,479                   | 51,772,537                         | 180,274,016          |
| <b>Obligations for Pension Benefits</b>  | <u>(142,734,000)</u>          | <u>(51,772,537)</u>                | <u>(194,506,537)</u> |
| <b>Deficiency of Net Assets Available for Benefits<br/>over Obligations for Pension Benefits</b> | <u>(14,232,521)</u>           | <u>-</u>                           | <u>(14,232,521)</u>  |



# UNIVERSITY OF WINNIPEG TRUSTEED PENSION PLAN

Changes in Net Assets Available for Benefits by Segment

Year ended December 31, 2014

|   | Defined<br>Benefit<br>Segment | Defined<br>Contribution<br>Segment | Total              |
|---|-------------------------------|------------------------------------|--------------------|
| Increase (decrease) in assets:                        |                               |                                    |                    |
| Contributions   |                               |                                    |                    |
| Members   |                               |                                    |                    |
| Required contributions                                | 893,509                       | 2,764,090                          | 3,657,599          |
| University  |                               |                                    |                    |
| Current service contributions                         | 1,483,099                     | 2,768,105                          | 4,251,204          |
| Special contributions                                 | 2,003,000                     | -                                  | 2,003,000          |
| Transfers from other plans                            | -                             | 70,042                             | 70,042             |
| Investment income                                     | 4,610,629                     | 3,418,878                          | 8,029,507          |
| Current period change in fair value of<br>Investments | 1,828,700                     | 1,435,560                          | 3,264,260          |
| Net realized gain on sale of investments              | 5,555,817                     | 117,262                            | 5,673,079          |
|   | <u>16,374,754</u>             | <u>10,573,937</u>                  | <u>26,948,691</u>  |
| Decrease in assets:                                   |                               |                                    |                    |
| Benefits paid   |                               |                                    |                    |
| Retirement benefit payments                           | 7,880,869                     | -                                  | 7,880,869          |
| Termination benefit payments                          | 4,843,221                     | 690,465                            | 5,533,686          |
| Death benefit payments                                | 812,884                       | -                                  | 812,884            |
| Administrative expenses:                              |                               |                                    |                    |
| Investment managers' fees                             | 559,254                       | -                                  | 559,254            |
| Actuarial fees  | 36,055                        | -                                  | 36,055             |
| Administrator's fees                                  | 29,226                        | -                                  | 29,226             |
| Custodial fees  | 48,619                        | -                                  | 48,619             |
| Audit fees  | 17,159                        | -                                  | 17,159             |
| Other expenses  | 62,035                        | -                                  | 62,035             |
|   | <u>752,348</u>                | <u>-</u>                           | <u>752,348</u>     |
|   | <u>14,289,322</u>             | <u>690,465</u>                     | <u>14,979,787</u>  |
| Net increase in assets available for benefits         | 2,085,432                     | 9,883,472                          | 11,968,904         |
| Net assets available for benefits, beginning of year  | <u>126,416,047</u>            | <u>41,889,065</u>                  | <u>168,305,112</u> |
| Net assets available for benefits, end of year        | <u>128,501,479</u>            | <u>51,772,537</u>                  | <u>180,274,016</u> |

# UNIVERSITY OF WINNIPEG TRUSTEED PENSION PLAN

Notes to the Financial Statements

Year ended December 31, 2014

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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 those that would cause an increase in the University's contribution rate.

Prior to the transfer of responsibilities, a pension committee oversaw the administration of the Plan, 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). A member who receives benefits from the long-term disability plan of the University is not required to contribute to the Plan.

The annual pension payable to a defined benefit member on retirement is based on the member's final five year average earnings 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, 2014

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## 2. Significant accounting policies:

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

The Plan follows Canadian accounting standards for pension plan 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, 2013.

The actuarial valuation at December 31, 2013 reported that the defined benefit segment of the Plan had a solvency deficiency of \$31,254,000 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.



# UNIVERSITY OF WINNIPEG TRUSTEED PENSION PLAN

Notes to the Financial Statements

Year ended December 31, 2014

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## 2. Significant accounting policies (continued):

As part of the discussions with government in the period leading up to the exemption, it was agreed that the annual funding requirement for the going concern deficiency identified in the 2004 valuation be maintained until the deficiency is eliminated. The going concern deficiency at December 31, 2004 was \$1,988,000 and the annual funding payments were \$268,000. The University elected to continue to make annual contributions of \$386,000, thus amortizing the deficiency at an accelerated rate. The amount of the 2004 deficiency has been fully amortized as of December 31, 2013.

A full actuarial valuation of the Plan as at December 31, 2013 was completed in 2014. This valuation established a new going concern unfunded liability of \$17,551,000 with annual special payments of \$2,003,000 required to amortize the deficiency over 15 years starting January 1, 2014. 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, 2014 and will be completed during 2015.

### (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.

# UNIVERSITY OF WINNIPEG TRUSTEED PENSION PLAN

Notes to the Financial Statements

Year ended December 31, 2014

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## 2. Significant accounting policies (continued):

### (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.

### (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.

# UNIVERSITY OF WINNIPEG TRUSTEED PENSION PLAN

Notes to the Financial Statements

Year ended December 31, 2014

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## 2. Significant accounting policies (continued):

### (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.

### (j) Change in accounting policy:

In May 2013, Canada's Accounting Standards Board issued revised accounting standards for entities with defined benefit and defined contribution plans, effectively replacing CPA Canada Handbook Section 3461 - *Employee Future Benefits* with Section 3462 - *Employee Future Benefits*. The new accounting standard eliminates the deferral and amortization approach to accounting for employee future benefits and requires plan assets and obligations to be measured as of the date of the Statement of Financial Position. The Plan adopted the new standard effective January 1, 2014. The adoption of the new standard has not had a material impact on the Plan's financial statements.



# UNIVERSITY OF WINNIPEG TRUSTEED PENSION PLAN

Notes to the Financial Statements

Year ended December 31, 2014

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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, 2014

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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, 2014, if the prevailing interest rates were raised or lowered by 100 basis points, with all other factors held constant, net assets would be estimated to decrease or increase, respectively, by approximately \$2,849,770 (\$2,218,500 - 2013). 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, 2014

## 4. Risk management (continued):

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

| As at December 31, 2014 | Actual currency exposure | %     |
|-------------------------|--------------------------|-------|
| Canadian                | 79,471,904               | 62.8  |
| US dollar               | 19,387,913               | 15.3  |
| Euro                    | 5,898,357                | 4.7   |
| British pound sterling  | 4,841,758                | 3.8   |
| Japanese yen            | 3,812,768                | 3.0   |
| Swiss franc             | 2,148,297                | 1.7   |
| Hong Kong dollar        | 2,133,357                | 1.7   |
| Other currencies        | 8,912,342                | 7.0   |
|                         | 126,606,696              | 100.0 |

| As at December 31, 2013 | Actual currency exposure | %     |
|-------------------------|--------------------------|-------|
| Canadian                | 69,849,432               | 67.2  |
| US dollar               | 15,769,385               | 15.2  |
| Euro                    | 4,404,557                | 4.2   |
| British pound sterling  | 3,106,660                | 3.0   |
| Japanese yen            | 2,900,997                | 2.8   |
| Swiss franc             | 2,354,675                | 2.2   |
| Other currencies        | 5,635,547                | 5.4   |
|                         | 104,021,253              | 100.0 |



# UNIVERSITY OF WINNIPEG TRUSTEED PENSION PLAN

## Notes to the Financial Statements

Year ended December 31, 2014

### 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 \$4,713,000 (\$3,417,000 - 2013) as at December 31, 2014.

#### (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, 2014, 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 \$6,865,000 (\$6,592,000 - 2013).

#### (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:

|               | 2014       | 2013       |
|---------------|------------|------------|
| Credit Rating |            |            |
| AAA           | 19,780,147 | 16,707,209 |
| AA            | 4,287,723  | 2,512,257  |
| A             | 11,425,470 | 12,203,364 |
| B - BBB       | 9,043,458  | 6,390,744  |
|               | 44,536,798 | 37,813,574 |

# UNIVERSITY OF WINNIPEG TRUSTEED PENSION PLAN

Notes to the Financial Statements

Year ended December 31, 2014

## 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:

|                    | 2014       | 2013       |
|--------------------|------------|------------|
| Less than one year | 462,583    | 133,441    |
| One to five years  | 15,577,936 | 14,140,152 |
| After five years   | 28,496,279 | 23,539,981 |
| Total fair value   | 44,536,798 | 37,813,574 |

### 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, 2014

## 4. Risk management (continued):

| Fund Name                         | Fair Value<br>2014 | Fair Value<br>2013 | Credit<br>Risk | Currency<br>Risk | Interest<br>Rate<br>Risk | Liquidity<br>Risk | Other<br>Price<br>Risk |
|-----------------------------------|--------------------|--------------------|----------------|------------------|--------------------------|-------------------|------------------------|
| B.G. Balanced                     | 5,428,873          | 4,823,606          | X              | X                | X                        |                   | X                      |
| B.G. Global                       | 90,429             | 72,120             |                | X                |                          |                   | X                      |
| B.G. American Equity              | 2,203,579          | 1,627,836          |                | X                |                          |                   | X                      |
| BLK Active Canadian Equity        | 2,182,272          | 2,212,314          |                | X                |                          |                   | X                      |
| JF Canadian Equity                | 1,403,370          | 1,170,494          |                | X                |                          |                   | X                      |
| MB Cdn Equity Core                | 227,763            | 179,089            |                | X                |                          | X                 | X                      |
| MB Global Research                | 632,148            | 534,213            |                | X                |                          | X                 | X                      |
| MB Global Equity                  | 1,599,815          | 1,276,643          |                | X                |                          | X                 | X                      |
| MB Lifeplan 2015                  | 1,189,587          | 1,012,107          | X              | X                | X                        | X                 | X                      |
| MB Lifeplan 2020                  | 3,467,932          | 2,584,579          | X              | X                | X                        | X                 | X                      |
| MB Lifeplan 2025                  | 2,088,363          | 1,392,631          | X              | X                | X                        | X                 | X                      |
| MB Lifeplan 2030                  | 1,501,297          | 1,077,427          | X              | X                | X                        | X                 | X                      |
| MB Lifeplan 2035                  | 1,690,540          | 1,054,366          | X              | X                | X                        | X                 | X                      |
| MB Lifeplan 2040                  | 1,444,927          | 884,937            | X              | X                | X                        | X                 | X                      |
| MB Lifeplan 2045                  | 912,620            | 488,969            | X              | X                | X                        | X                 | X                      |
| MB Lifeplan 2050                  | 283,912            | 133,566            | X              | X                | X                        | X                 | X                      |
| MB Lifeplan Retiree               | 1,069,025          | 874,967            | X              | X                | X                        | X                 | X                      |
| MB Responsible Balanced           | 589,572            | 498,195            | X              | X                | X                        | X                 | X                      |
| MB Responsible Cdn Equity         | 483,961            | 396,852            |                | X                |                          | X                 | X                      |
| MB Responsible Global<br>Research | 315,597            | 248,248            |                | X                |                          | X                 | X                      |
| SLA Universe Bond                 | 1,814,591          | 2,000,583          | X              | X                | X                        | X                 | X                      |
| SLA 5Yr Guaranteed                | 421,587            | 384,806            | X              | X                | X                        | X                 | X                      |
| SLF Money Market                  | 840,559            | 1,131,207          | X              |                  | X                        |                   |                        |
| TDAM Balanced Index               | 15,796,155         | 12,939,362         | X              | X                | X                        | X                 | X                      |
| TDAM Cdn Bond Index               | 1,435,051          | 1,131,285          | X              | X                | X                        | X                 | X                      |
| TDAM Cdn Equity Index             | 1,620,255          | 1,321,093          |                | X                |                          |                   | X                      |
| TDAM Global Equity Index          | 166,255            | 11,815             |                | X                |                          | X                 | X                      |
| TDAM US Mkt Index                 | 872,502            | 425,755            |                | X                |                          |                   | X                      |
|                                   | 51,772,537         | 41,889,065         |                |                  |                          |                   |                        |



# UNIVERSITY OF WINNIPEG TRUSTEED PENSION PLAN

Notes to the Financial Statements

Year ended December 31, 2014

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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, 2013 by Eckler Ltd., a firm of consulting actuaries. The results were extrapolated by them to December 31, 2014. The extrapolation of the actuarial present value of the pension benefits as at December 31, 2013 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 2014 was measured as the impact of changes in membership, including the impact of salary changes, between the previous actuarial valuation as at December 31, 2012 and the actuarial valuation as at December 31, 2013.

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 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 average rate of return for the period ending December 31, 2014 was greater than 6%, therefore, a pension increase in respect of 2014 will be provided to retirees effective July 1, 2015 (not less than 1.20%).

The four year average rate of return for the period ending December 31, 2013 was greater than 6%, and a pension increase of 1.24% was provided to retirees effective July 1, 2014.

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

|                            | 2014        | 2013        |
|----------------------------|-------------|-------------|
| Market Value of net assets | 128,501,000 | 126,416,000 |

# UNIVERSITY OF WINNIPEG TRUSTEED PENSION PLAN

Notes to the Financial Statements

Year ended December 31, 2014

## 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, 2014 and were developed by reference to expected long-term market conditions. Significant actuarial assumptions used in the valuation were:

|                                   | 2014  | 2013   |
|-----------------------------------|---|--|
| Rate of return on investments     | 5.90%   | 6.00%  |
| Post-retirement pension increases | 0.75%   | 0.75%  |
| Rate of salary increase           | 3.0% per year,<br>plus merit, iff<br>applicable | 3.0% per year,<br>plus merit, if<br>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<br>Increase over<br>next 5 years | Average Annual<br>Increase<br>To age 65 |
|-----|---|---|
| 30  | 3.3%  | 2.3%                                    |
| 35  | 2.8%  | 2.2%                                    |
| 40  | 2.5%  | 2.0%                                    |
| 45  | 2.2%  | 1.9%                                    |
| 50  | 2.0%  | 1.8%                                    |
| 55  | 1.8%  | 1.7%                                    |
| 60  | 1.7%  | 1.7%                                    |

## (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, 2014

## 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, 2014. There have been no transfers between levels during 2014 or 2013.

| Investments at Fair Value as at December 31, 2014 |            |            |            |             |
|---|------------|------------|------------|-------------|
|   | Level 1    | Level 2    | Level 3    | Total       |
| Fixed Income                                      | -          | 44,536,798 | -          | 44,536,798  |
| Canadian Equities                                 | 21,511,205 | -          | -          | 21,511,205  |
| U.S. Equities                                     | 18,899,730 | -          | -          | 18,899,730  |
| International Equities                            | 28,235,181 | -          | -          | 28,235,181  |
| Real Estate                                       | -          | -          | 13,423,706 | 13,423,706  |
| Short-Term  | -          | 76         | -          | 76          |
| Defined Contribution                              | -          | 51,772,537 | -          | 51,772,537  |
|   | 68,646,116 | 96,309,411 | 13,423,706 | 178,379,233 |

| Investments at Fair Value as at December 31, 2013 |            |            |         |             |
|---|------------|------------|---------|-------------|
|   | Level 1    | Level 2    | Level 3 | Total       |
| Fixed Income                                      | -          | 37,813,574 | -       | 37,813,574  |
| Canadian Equities                                 | 31,614,761 | 131,061    | -       | 31,745,822  |
| U.S. Equities                                     | 15,769,385 | -          | -       | 15,769,385  |
| International Equities                            | 18,402,437 | -          | -       | 18,402,437  |
| Short-Term  | 290,035    | -          | -       | 290,035     |
| Defined Contribution                              | -          | 41,889,065 | -       | 41,889,065  |
|   | 66,076,618 | 79,833,700 | -       | 145,910,318 |



# UNIVERSITY OF WINNIPEG TRUSTEED PENSION PLAN

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Year ended December 31, 2014

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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.