THE UNIVERSITY OF WINNIPEG

PENSION PLAN

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2003

WINNIPEG, MANITOBA, CANADA

THE UNIVERSITY OF WINNIPEG
PENSION PLAN

FINANCIAL STATEMENTS

For the Year Ended December 31, 2003

Report on Financial Statements

Report of the Vice-President Finance & Administration

The Pension Plan's investment performance improved during fiscal 2003. Investment returns in both the defined benefit and defined contribution segments of the Pension Plan were significantly better than in 2002 resulting in a $10.5 million increase in net assets to $108.2 million.

The financial position of the defined benefit segment of the Plan was significantly improved at December 31, 2003. An investment return of 12.42% resulted in an increase in the market value of net assets and this exceeded the increase in pension obligations during the same period. As a result, the shortfall of $4.6 million at December 31, 2002 was reduced to $1.6 million at December 31, 2003 as referred in note 5a.

The net assets of the Plan totaled $108.2 million ($97.7 million – December 2002). The net assets in the defined benefit segment of the Plan totaled $99.1 million while net assets in the defined contribution segment of the Plan amounted to $9.1 million.

In the defined contribution segment of the Plan, the net assets increased by approximately $1.8 million to $9.1 million primarily as a result of the combination of Plan contributions ($1.2 million), investment income ($228,000) and increase in market value ($791,000).

In the defined benefit segment, net assets increased by $8.7 million to $99.1 million. The change resulted primarily from the following:

a) Investment income realized in the period amounting to $3.6 million;
b) A net realized loss on sale of securities of $17.2 million, most of which was incurred on the sale of the portfolio during the transition to new investment managers in March 2003. This established a new cost base on the portfolio after it was turned over to the new investment managers;
c) A change during the current period in the market value of investments of $25.2 million.
d) Benefits paid to retiring members amounting to $4.2 million.
e) Administrative expense totaled $560,000 representing a $64,000 increase over the prior year. This is attributable to an increase in investment manager fees arising from the change to a 3-manager arrangement for investment management services commencing in March 2003.

The investment markets experienced a significant turnaround in 2003 with total rate of return on the defined benefit segment of the Plan approximating 12.42%. The summary of investments provides information on the allocation of assets. At December 1, 2003, the Pension Fund's assets were allocated to equities (55.4%), fixed income (42.6%) and cash (2.00%). This represents a change from December 31, 2002 when the asset mix, under the former investment manager, was in equities (64.0%), fixed income (33.3%) and cash (2.7%).

The Plan's actuary has confirmed in note 5a an increase in the defined benefit plan's actuarial value of accrued pension benefits from $95.0 million to $100.7 million. As referenced above, the growth in fair value of net assets was greater than that of pension obligations and it helped in reducing the shortfall (the Plan's net assets being less than pension obligations) from $4.6 million to $1.6 million at December 31, 2003. Reference is made to factors that contributed to the actuarial loss and gain in 2003 and 2002 respectively. Swings in investment markets in both years as well as variations in actuarial assumptions have contributed to the change in plan's financial position during these two years.

The changes in the defined contribution plan net asset position is outlined in the note 5a and primarily relate to plan contributions as well as improved net investment returns in the markets.

An agreement between the University and Plan stakeholders was concluded in April 2003 and referred in a note to the financial statements in 2003. An update is provided in note 8 on the status of implementing this agreement and notes that once the text of the Plan amendment is finalized, it is the intent of the University to file the Amendment with the Manitoba Pension Commission in the current fiscal year.

(Original signed by Stephen Willetts)

Stephen Willetts, CPFA June 1, 2004
Vice-President (Finance & Administration)
The University of Winnipeg

THE UNIVERSITY OF WINNIPEG

THE UNIVERSITY OF WINNIPEG PENSION PLAN

RESPONSIBILITY FOR FINANCIAL REPORTING

The management of The University of Winnipeg is responsible for the preparation and presentation of the financial statements and accompanying notes. The financial statements have been prepared in accordance with the accounting principles stated in the financial statements and approved by the Pension Committee.

As management is responsible for the integrity of the financial statements, management has established systems of internal control to provide reasonable assurance that assets are properly accounted for and safeguarded from loss.

In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgement regarding all necessary estimates and all other data available at the time of preparing the financial statements.

(Original signed by Stephen Willetts)	*(Original signed by B. Douglas Prophet)*
Stephen Willetts, CPFA Vice-President (Finance & Administration)	B. Douglas Prophet, CA Executive Director, Financial Services

June 2, 2004

ACTUARY'S OPINION

Eckler Partners Ltd. has 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, 2001 and an extrapolation of the results of that valuation to December 31, 2003 for inclusion in the Plan's financial statements.

In my opinion, for the purposes of the valuation and extrapolation,

(a) the data used are sufficient and reliable,
(b) the assumptions used are, in aggregate, appropriate, and
(c) the methods employed are appropriate.

The valuation and extrapolation have been prepared and my opinion given in accordance with accepted actuarial practice.

June 2, 2004
Date

John Corp
John Corp,
Fellow of the Institute of Actuaries
Fellow of the Canadian Institute of Actuaries

Office of the Auditor General

500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITORS' REPORT

To the Legislative Assembly of Manitoba
To the Board of Regents of The University of Winnipeg
To the Pension Committee of The University of Winnipeg Pension Plan

We have audited the statement of net assets of The University of Winnipeg Pension Plan as at December 31, 2003 and the statement of changes in net assets for the year then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the net assets of the Plan as at December 31, 2003 and the changes in net assets for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
March 18, 2004

Statement I

UNIVERSITY OF WINNIPEG PENSION PLAN

STATEMENT OF NET ASSETS

as at December 31, 2003
(with comparative figures for December 31, 2002)

ASSETS	2003	2002
Cash	$ 480,947	$ 46,644
Contributions receivable		
Members	79,925	96,410
University	160,485	96,410
Investment income receivable	13,948	1,911
Investments (Schedule I)	107,611,573	97,595,846
	108,346,878	97,837,221
LIABILITIES		
Accounts payable	137,324	150,225
NET ASSETS	$ 108,209,554	$ 97,686,996

Approved by the Pension Committee

(Original signed by James Oborne)
James G. Oborne
Chair, Pension Committee

(Original signed by Stephen Willetts)
Stephen Willetts, CPFA
Vice-President (Finance & Administration)

See accompanying notes and schedules.

Statement II

UNIVERSITY OF WINNIPEG PENSION PLAN

STATEMENT OF CHANGES IN NET ASSETS

as at December 31, 2003
(with comparative figures for December 31, 2002)

	2003		2002	
INCREASE IN ASSETS				
Contributions (Note 6)				
Members		$ 1,587,306		$ 1,574,000
University		1,722,380		1,170,216
Transfer from defined benefit to defined contribution				137,924
Investment income		3,872,486		2,922,292
Current period change in fair value of investments		26,032,451		-
		33,214,623		5,804,432
DECREASE IN ASSETS				
Net realized loss on sale of securities		17,250,661		4,156,556
Current period change in fair value of investments				5,887,038
Benefits paid to retired members		4,207,753		3,977,285
Refunds and transfers to other plans		657,691		774,780
Transfer from defined benefit to defined contribution				137,924
Administrative expenses				
Investment manager's fees	342,142		288,224	
Actuarial fees	24,235		38,073	
Administrator's fees	22,904		19,083	
Custodial fees	52,701		41,392	
Other expenses	133,978	575,960	109,934	496,706
		22,692,065		15,430,289
NET INCREASE (DECREASE) FOR THE YEAR		10,522,558		(9,625,857)
NET ASSETS AT BEGINNING OF YEAR		97,686,996		107,312,853
NET ASSETS AT END OF YEAR		$ 108,209,554		$ 97,686,996

See accompanying notes and schedules.

Schedule I

UNIVERSITY OF WINNIPEG PENSION PLAN

SUMMARY OF INVESTMENTS

as at December 31, 2003
(with comparative figures for December 31, 2002)

(Note 4)

	2003			2002		
	Fair Value	Cost	% Fair Value	Fair Value	Cost	% Fair Value
Defined Benefit						
Fixed Income	$ 42,016,193	$ 41,457,380	42.65	$ 30,050,437	$ 29,687,640	33.29
Canadian Equities	28,224,266	21,726,616	28.65	34,466,033	44,521,257	38.19
U.S. Equities	11,704,169	9,344,034	11.88	12,283,146	13,954,521	13.61
International Equities	14,597,334	11,653,795	14.82	11,068,842	12,574,987	12.26
Short-term	1,963,450	1,931,011	1.99	2,389,807	2,389,807	2.65
	98,505,412	86,112,836	100.00	90,258,265	103,128,212	100.00
Defined Contribution	9,106,161	8,748,727	100.00	7,337,581	7,771,066	100.00
Total Investments, Statement I	$ 107,611,573	$ 94,861,563	100.00	$ 97,595,846	$ 110,899,278	100.00

See accompanying notes.

Schedule II

UNIVERSITY OF WINNIPEG PENSION PLAN

SCHEDULE OF SEGMENTED CHANGES IN NET ASSETS

as at December 31, 2003

	Defined Benefit	Defined Contribution	TOTAL
INCREASE IN ASSETS			
Contributions			
Members	$ 988,173	$ 599,133	$ 1,587,306
University	1,120,453	601,927	1,722,380
Investment Income	3,644,158	228,328	3,872,486
Current Period Change in Fair Value of Investments	25,241,428	791,023	26,032,451
	30,994,212	2,220,411	33,214,623
DECREASE IN ASSETS			
Net realized loss on sale of securities	17,250,661		17,250,661
Benefits paid to retired members	4,207,753		4,207,753
Refunds and transfers to other plans	229,786	427,905	657,691
Administrative expenses			
Investment manager's fees	342,142		342,142
Actuarial fees	24,235		24,235
Administrator's fees	22,904		22,904
Custodial fees	52,701		52,701
Other expenses	118,444	15,534	133,978
	22,248,626	443,439	22,692,065
NET INCREASE FOR THE YEAR	8,745,586	1,776,972	10,522,558
NET ASSETS AT BEGINNING OF YEAR	90,349,415	7,337,581	97,686,996
NET ASSETS AT END OF YEAR	$ 99,095,001	$ 9,114,553	$ 108,209,554

See accompanying notes.

UNIVERSITY OF WINNIPEG PENSION PLAN

Notes to the Financial Statements

As at December 31, 2003

1. Description of the Pension Plan

The following description of the University of Winnipeg Pension Plan (the Plan) is a summary only. For more complete information, reference should be made to the Plan Agreement.

The Plan was established as a contributory defined benefit pension plan at 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. The Plan is registered under the Income Tax Act and the Manitoba Pension Benefits Act (Registration #309914). A Pension Committee oversees the administration of the Plan, monitors the investments with the assistance and advice of the Investment Committee, and makes policy recommendations to the Board of Regents of the University.

The Plan covers all eligible employees of the University of Winnipeg, except those who are members of the United Church of Canada Pension Plan. 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 matched 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 average earnings and years of credited service.

Plan members at December 31, 2000, who were less than age 55 at December 31, 1999, could elect to either remain in the existing contributory defined benefit pension plan or, alternatively, convert their accrued benefits at December 31, 1999 to a defined contribution equivalent. Approximately one-quarter of the eligible members converted to the defined contribution plan. Employees at December 31, 2000 who were not members of the Plan at that date had the ability to elect to have their future benefits determined on a defined benefit or defined contribution basis. This will result in their future benefits being determined on a defined contribution basis for those who chose the Defined Contribution option. All employees hired after December 31, 2000 will become members of the defined contribution plan.

In 2000 and 2001 the defined benefit segment of the Plan was amended to split the existing surplus between the Members and the University with the Members' share to be paid out or used to enhance benefits and the University's share to provide a contribution holiday. An initial surplus distribution was made to Members in 2001 and the University was granted a contribution holiday of approximately equivalent value from April 2000 to March 31, 2002. During the year, certain amendments were agreed to as disclosed in Note 8.

2. Significant Accounting Policies

a) Basis of Presentation

These financial statements are prepared on the going concern basis and present the aggregate financial position of the Plan as a separate financial reporting entity. They are prepared to assist plan members and others in reviewing the activities of the Plan for the fiscal period but they do not portray the funding requirements of the Plan or the security of benefits of individual plan members.

The annual financial statements of the Plan are prepared in accordance with Canadian generally accepted accounting principles.

The financial statements do not take into account actuarial valuations and therefore do not reflect the financial position of the Plan on an actuarial valuation basis as referred to in note 5a. In accordance with the Pension Benefits Act, an actuarial valuation is required at least every 3 years. An actuarial valuation of the University of Winnipeg Pension Plan has been completed as at December 31, 2001.

b) Investments

Investments are recorded at fair value. Fair value is defined as the market value as at the close of trading on December 31 or the average of the latest bid and ask prices quoted by an independent securities valuation firm.

c) Use of Estimates

In preparing the University of Winnipeg's Pension Plan audited financial statements, including the notes attached thereto, management is required to make estimates and assumptions that reflect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

3. Risk Management

Defined Benefit:

Fair values of investments and therefore the plan's financial position are exposed in the future to interest rate, inflation, market valuation, credit and currency risks. The definition of these risks follows:

a) Interest rate risk refers to the impact of interest rate changes on the Plan's financial position, investment income and cash flows.
b) Inflation risk is the impact of rising prices on the Plan's assets values, changes in actuarial assumptions, and the Plan's ability to meet its CPI related changes to paid benefits.
c) Market valuation risk is the adverse effects that may be caused by fluctuation in the market value of Plan assets resulting in a change in their value.
d) Credit risk is the risk of loss from the failure of a counter-party to discharge their contractual obligations.

e) Currency risk relates to the possibility that foreign currency-denominated investments will change in value due to future fluctuations in foreign exchange rates relative to the Canadian dollar value of the Plan's pension obligations.

The Board of Regents places limits on these risks by establishing, through the advice of the Pension and Investment Committees, an approved investment policy called "Statement of investment Polices and Guidelines" that provides for risk mitigation. The investment policy is provided to the external investment managers and provides them with policy guidelines for investing the Pension Plan assets, including asset allocation policy and benchmarks, type of investments, quality and credit ratings for securities.

4. Summary of Investments

The summary of investments represents the total investments of the defined benefit segment and defined contribution segment of the Pension Plan held by the custodians. In respect to the defined benefit segment of the Pension Plan, an external investment manager invests the plan assets pursuant to the Statement of Investment Policy. The members of the deferred 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 Pension Plan.

A change in investment managers in March 2003 crystallized asset values in the Defined Benefit Plan at the time of transition to the new managers when the assets were sold to effect the transfer. This effectively lowered the December 31, 2002 cost value of $103,128,212 to market value, thus establishing a new cost value as at the date of transfer.

5. Obligation for Pension Benefits

a) <u>Defined Benefit Obligation</u>

The actuarial present value of accrued pension benefits was determined using the projected unit credit actuarial cost method and using assumptions recommended by the actuary and approved by the Board of Regents of the University. An actuarial valuation of the Plan was prepared, effective December 31, 2001 by Eckler Partners Ltd., a firm of consulting actuaries, the results of which were extrapolated by them to December 31, 2003.

	December 31 2003 $000	December 31 2002 $000
Actuarial present value of accrued pension benefits at the beginning of the year	$94,992	$93,025
Interest accrued on benefits	6,153	5,886
Benefit improvements	593	0
Benefits accrued	2,242	2,273
Benefits paid	(4,438)	(4,525)
Actuarial loss/(gain)	1,181	(1,667)
Actuarial present value of accrued pension benefits at the end of the year	$100,723	$94,992

The actuarial present value of accrued pension benefits exceeds the fair value of net assets as follows:

	December 31 2003 $000	December 31 2002 $000
Fair Value of Net Assets	$99,095	$90,349
Actuarial present value of accrued pension benefits	(100,723)	(94,992)
Excess of Fair Value of Net Assets over the actuarial present value of accrued pension benefits at the end of the year	$(1,628)	$(4,643)

The benefit improvement in 2003, as provided for in the Pension Plan, was an increase in pensions in payment of 2.01%, being the increase in the Consumer Price Index for 2003. This pension increase is effective July 1, 2004.

The actuarial loss for 2003 is as a result of:

i) The interest rate credited to member contribution accounts of 12.42% being greater than the 7% assumed in the valuation, and

ii) A modification in the method for applying the plan's maximum pension provisions. These are offset by

iii) Pensioner mortality experience.

The actuarial gain for 2002 is a result of:

i) The interest rate credited to member contribution accounts of –7.1%, being less than the 7% assumed in the valuation, offset by

ii) Pensioner mortality experience, and by

iii) The 1.67% increase effective July 1, 2003 in the pensions of those who retired prior to 1998 being greater than the 1% assumed in the valuation.

The 2002 column has been restated from last year's note by reducing the actuarial gain, and hence increasing the actuarial present value of the accrued pension benefit at the end of the year by $129,000 in respect of (iii) above.

The assumptions used in determining the actuarial value of accrued pension benefits in the valuation at December 31, 2001 and the extrapolation to December 31, 2003 were developed by reference to expected long-term market conditions. Significant actuarial assumptions used in the valuation were

Rate of return on investments	- pre-retirement	7%
	- post-retirement	6%
Rate of salary increase	- first year	2%
	- thereafter	5%

b) Defined Contribution Obligation

The obligation for pension benefits under the defined contribution segment of the Plan 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.

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

	December 31 2003 $000	**December 31 2002 $000**
Balance, beginning of year	$7,338	$7,077
Contributions	1,201	1,103
Benefit payments	(443)	(208)
Net investment return	1,019	(634)
Balance, end of year	$9,115	$7,338

6. Funding Policy

Until April 1, 2003, The University's regular contribution has been 6% of salary less an adjustment for the Canada Pension Plan. In the period from April 1, 2000 to March 31, 2002, as described in Note 1, the University took a contribution holiday. Effective April 1, 2002, the University reinstated its matching contributions to the Pension Plan. Effective April 1, 2003, the University's contribution increased to 6.5% of pensionable salary less an adjustment for the Canada Pension Plan. In addition, effective April 1, 2003, the University commenced paying both employee and University contributions for those members in receipt of long-term disability benefits. Previously these contributions had been funded out of surplus.

7. Related Party Transactions

The University of Winnipeg charges benefit administration costs to the Plan. The charge for 2003 was $48,011 (2002 - $46,840). Other administration services including accounting and secretarial services are provided by the University of Winnipeg at no charge to the Pension Plan.

8. Agreement Between the University and Pension Plan Stakeholders

In April 2003, the University and all Pension Plan stakeholders of the defined benefit segment of the Plan agreed to amend the provisions of Plan Amendment 2001/1, that was approved in the Board of Regents resolution of December 4, 2000.

During the past year, provisions of the agreement that have been implemented include:

i) All stakeholders and the University (Plan Sponsor) to forego any further implementation of the Board of Regent's resolution of December 4, 2000 amendment to the Pension Plan.

ii) Elimination of the contribution credit balance and the cessation of any further distribution of surplus arising from the original agreement;

iii) The sections of Plan Amendment 2001/1 that were implemented remain unchanged. This includes pension contribution holidays taken, partial distribution of surplus to employees remaining in the defined benefit segment of the Plan, creation of a defined contribution segment of the Plan and the related transfer of full surplus share to those members who elected to move from the defined benefit to the defined contribution segment of the Plan.

iv) Required University contributions to the defined benefit segment of the Plan were modified as follows:

The University pays both employee and University required contributions in respect of defined benefit members who are in receipt of long-term disability benefits, effective April 1, 2003.

The University's required contributions for defined benefit members were increased to 6.5% of pensionable salary less 1.8% of Canada Pension Plan contributory earnings effective April 1, 2003;

v) The University made a special payment of $638,000 in April 2003 direct to pensioners and active members of the defined benefit segment of the Plan as part of the final agreement.

The provisions of the agreement that remain outstanding are;

i) Establishment of a Board of Trustees to oversee administration of the Pension Plan, subject to the filing of a Plan amendment and its approval by the Manitoba Pension Commission.

ii) The University's required contributions for defined benefit members will increase to 7% of pensionable salary less 1.8% of Canada Pension Plan contributory earnings effective April 1, 2004;

iii) The University will make an additional contribution of $600,000 into the defined benefit segment of the Pension Plan by no later than April 2004 or as soon thereafter as regulatory approval is secured.

The University has deferred implementation of the provisions that affect Plan funding, referred to above, until the text of the Plan amendment is finalized. It is the University's intent to file a Plan amendment with the Manitoba Pension Commission that will implement the Agreement in the current year.