

Financial Statements of

**UNIVERSITY OF WINNIPEG
PENSION PLAN**

Year ended December 31, 2006

**THE UNIVERSITY OF WINNIPEG
PENSION PLAN**

FINANCIAL STATEMENTS

For the Year Ended December 31, 2006

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THE UNIVERSITY OF WINNIPEG

University of Winnipeg Pension Plan

Report on Financial Statements

Report of the Vice-President Finance & Administration

During the year, The University of Winnipeg Pension Plan experienced a continued improvement to the financial health of the Plan. Strong investment markets through the year have resulted in solid investment returns in the Plan, which in turn, have contributed to a 10.0% increase in the Plan's net assets.

The audited financial statements at December 31, 2006 for the Pension Plan report an increase in total net assets of \$12.7 million to \$139.8 million. Contributions increased by \$104,000 during 2006 to a combined \$4.6 million for members and the University.

Investment returns were excellent during the year, as evidenced in the total of investment income, current period change in fair value of investments and net realized gains on sales of securities approaching a record \$16.6 million. Higher investment returns have been realized in all asset categories, with a strong 1st quartile performance from the Plan's global investment manager. Pension benefits paid to retired members increased to \$5.0 million during the year. Administrative expenses declined to \$627,000, primarily to lower actuarial and administrative fees.

The allocation of assets in the Plan is set out in Schedule A with comparative figures provided for 2005. The Summary of Investments confirms that the allocation of assets, as directed by the Investment Committee, has changed through the year with fixed income and Canadian equities reduced to 42.6% and 30.3% respectively and U.S. and international equities increasing to 11.3% and 15.06% respectively.

In respect to the solvency deficiency, the Government made a regulatory change that enables the University to defer solvency payments during the 3-year period ending December 31, 2007. The University is actively engaged in discussions with the Plan's stakeholders to arrive at a solution that will result in a satisfactory resolution of the Plan's funding situation and long-term financial health.

The Plan's actuary has performed an extrapolation of the solvency deficiency of the Defined Benefit Plan's funding status and has confirmed that the solvency deficiency is estimated at \$9.5 million at December 31, 2006. This compares favorably to the solvency deficiency of \$15.1 million shown in the December 31, 2004 actuarial valuation report.

In December 2006, the Superintendent of Pensions issued an Order requiring the University to pay a lump sum, estimated to be \$6.2 million plus interest of approximately \$2.0 million, into the Pension Plan and that the lump sum be distributed to plan members who had an entitlement to any distribution of the surplus. The University has appealed the Order to the Pension Commission and is seeking that the order be annulled. The University reserves its right to seek an appeal at the Manitoba Court of Appeal and has taken the position before the Manitoba Pension Commission that the Order should be stayed until all legal proceedings are ended.

(Original signed by Bill Balan)

Bill Balan
Acting Vice-President (Finance & Administration)
The University of Winnipeg
April 12, 2007



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 Bill Balan)

Bill Balan
Acting Vice-President (Finance & Administration)

(Original signed by B. Douglas Prophet)

B. Douglas Prophet, CA
Associate Vice-President Finance

April 12, 2007



Actuary's Opinion

Eckler 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, 2004 and an extrapolation of the results of that valuation to December 31, 2006 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.

April 23, 2006

Date

A. Douglas Poapst,
Fellow of the Institute of Actuaries
Fellow of the Canadian Institute of Actuaries



OFFICE OF THE
AUDITOR GENERAL
MANITOBA

AUDITORS' REPORT

To the Legislative Assembly of Manitoba
To the Board of Regents of the University of Winnipeg

We have audited the statement of net assets available for benefits of The University of Winnipeg Pension Plan as at December 31, 2006 and the statement of changes in net assets available for benefits 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 available for benefits of the Plan as at December 31, 2006 and the changes in its net assets available for benefits 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 23, 2007

UNIVERSITY OF WINNIPEG PENSION PLAN

Statement of Net Assets Available for Benefits

December 31, 2006, with comparative figures for 2005

	2006	2005
Assets		
Cash	\$ 519,575	\$ 744,625
Contributions receivable:		
Members	129,752	125,300
University	294,105	149,414
Investment income receivable	49,711	19,537
Investments (schedule A)	<u>138,984,023</u>	<u>126,191,508</u>
	<u>\$ 139,977,166</u>	<u>\$ 127,230,384</u>
Liabilities		
Accounts payable	<u>\$ 179,862</u>	<u>\$ 175,283</u>
Net Assets Available for Benefits	<u>\$ 139,797,304</u>	<u>\$ 127,055,101</u>

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

Subsequent event [note 5(a)]

Contingency (note 9)

See accompanying notes to financial statements.

On behalf of the Board of Regents:

(Original signed by Terry Hidichuk)

Director

(Original signed by Lloyd Axworthy)

President and Vice-Chancellor

UNIVERSITY OF WINNIPEG PENSION PLAN

Statement of Changes in Net Assets Available for Benefits

Year ended December 31, 2006, with comparative figures for 2005
(see Schedule B)

	2006	2005
Increase in assets:		
Contributions (note 6):		
Members	\$ 1,901,842	\$ 1,808,568
University	2,688,441	2,677,800
Investment income	7,777,747	7,121,867
Current period change in fair value of investments	5,237,215	5,399,731
Net realized gain on sale of investments	<u>3,541,010</u>	<u>1,847,591</u>
	21,146,255	18,855,557
Decrease in assets:		
Benefits paid to retired members	5,003,423	4,729,736
Refunds and transfers	2,773,518	2,258,211
Administrative expenses:		
Investment managers' fees	441,174	423,833
Actuarial fees	17,089	27,259
Administrator's fees	25,149	28,909
Custodial fees	45,087	45,076
Other expenses	<u>98,612</u>	<u>108,277</u>
	627,111	633,354
	<u>8,404,052</u>	<u>7,621,301</u>
Net increase in assets available for benefits	12,742,203	11,234,256
Net assets available for benefits, beginning of year	<u>127,055,101</u>	<u>115,820,845</u>
Net assets available for benefits, end of year	<u>\$ 139,797,304</u>	<u>\$ 127,055,101</u>

See accompanying notes to financial statements.

UNIVERSITY OF WINNIPEG PENSION PLAN

Summary of Investments

Year ended December 31, 2006, with comparative figures for 2005

	2006			2005		
	Fair value	Cost	%	Fair value	Cost	%
Defined benefit:						
Fixed income	\$ 52,189,209	\$ 51,016,328	42.60	\$ 50,444,147	\$ 48,713,255	44.81
Canadian equities	37,151,938	24,219,756	30.32	38,027,875	25,853,562	33.78
U.S. equities	13,859,484	9,654,862	11.31	9,572,611	7,249,637	8.50
International equities	18,447,006	12,850,644	15.06	13,718,413	10,389,382	12.18
Short-term	<u>865,926</u>	<u>842,859</u>	<u>0.71</u>	<u>825,349</u>	<u>808,590</u>	<u>0.73</u>
	122,513,563	98,584,449	100.00	112,588,395	93,014,426	100.00
Defined contribution	<u>16,470,460</u>	<u>13,739,413</u>	<u>100.00</u>	<u>13,603,113</u>	<u>11,765,714</u>	<u>100.00</u>
Total investments	<u>\$ 138,984,023</u>	<u>\$112,323,862</u>	<u>100.00</u>	<u>\$ 126,191,508</u>	<u>\$104,780,140</u>	<u>100.00</u>

UNIVERSITY OF WINNIPEG PENSION PLAN

Changes in Net Assets Available for Benefits by Segment

Year ended December 31, 2006

	Defined Benefit Segment	Defined Contribution Segment	Total
Increase in assets:			
Contributions			
Members	\$ 970,146	\$ 931,696	\$ 1,901,842
University	1,750,054	938,387	2,688,441
Investment income	6,956,505	821,242	7,777,747
Current period change in fair value of investments	4,343,566	893,649	5,237,215
Net realized gain on sale of investments	<u>3,385,321</u>	<u>155,689</u>	<u>3,541,010</u>
	17,405,592	3,740,663	21,146,255
Decrease in assets:			
Benefits paid to retired members	5,003,423	-	5,003,423
Refunds and transfers	1,927,065	846,453	2,773,518
Administrative expenses:			
Investment managers' fees	441,174	-	441,174
Actuarial fees	17,089	-	17,089
Administrator's fees	25,149	-	25,149
Custodial fees	45,087	-	45,087
Other expenses	<u>84,044</u>	<u>14,568</u>	<u>98,612</u>
	<u>612,543</u>	<u>14,568</u>	<u>627,111</u>
	<u>7,543,031</u>	<u>861,021</u>	<u>8,404,052</u>
Net increase in assets available for benefits	9,862,561	2,879,642	12,742,203
Net assets available for benefits, beginning of year	<u>113,373,593</u>	<u>13,681,508</u>	<u>127,055,101</u>
Net assets available for benefits, end of year	<u>\$ 123,236,154</u>	<u>\$ 16,561,150</u>	<u>\$ 139,797,304</u>

UNIVERSITY OF WINNIPEG PENSION PLAN

Notes to the Financial Statements

Year ended December 31, 2006

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 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. 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 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. 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.

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. Subsequently, all new employees hired are required to become members of the defined contribution segment of the Plan.

In 2000 and 2001, the Plan was amended to distribute surplus to Plan members and to provide a contribution holiday to the University arising from its share of the surplus. There was an initial surplus distribution and subsequently, certain amendments were made that changed the implementation of the 2000 and 2001 amendments.

UNIVERSITY OF WINNIPEG PENSION PLAN

Notes to the Financial Statements (continued)

Year ended December 31, 2006

2. Significant accounting policies:

(a) (i) Basis of presentation:

These financial statements are prepared on the going concern basis and present the aggregate financial position of the Plan as a separate financial reporting entity. They are 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.

(ii) Continuity of operations:

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 5(a). In accordance with the *Pension Benefits Act*, an actuarial valuation is required at least every three years. An actuarial valuation of the defined benefit segment of the Plan was completed as at December 31, 2004.

The actuarial valuation at December 31, 2004 reported that the defined benefit segment of the Plan had a solvency deficiency of \$15,140,000 at that date.

The University would normally be required under the *Pension Benefits Act* to make additional annual payments of \$3,435,000 over a five year period to retire the solvency deficiency. However, the Provincial Government has provided the University with an amnesty in respect of these payments. Under this amnesty, the Government has, by Order in Council (No.192/2005), made a regulatory change (Regulation 75/2005 under the *Pension Benefits Act*) that enables the University to elect to defer the annual solvency payments over three years, commencing January 1, 2005, thus providing time for the Government and the University to recommend a resolution to the solvency issue. The University made such an election on September 27, 2005.

The Special Payments Exemption Regulation (the Regulation) also requires that the going-concern valuation at December 31, 2004 be reported to the Pension Commission using market value for assets and requiring any deficiency in this valuation to be funded over no more than 10 years rather than the normal 15 years. On this basis, the going-concern deficiency at December 31, 2004 is \$1,988,000 and the annual funding payments are \$268,000.

UNIVERSITY OF WINNIPEG PENSION PLAN

Notes to the Financial Statements (continued)

Year ended December 31, 2006

2. Significant accounting policies (continued):

However, on the advice of the Plan Actuary, the University has decided to administer the plan using a smoothing approach to asset value and to fund the resulting deficiency over 15 years. On that basis, the deficiency at December 31, 2004 is \$3,746,000 and the annual funding payments are \$386,000. This smoothing approach as recommended by the Plan Actuary was approved by the University's Board of Regents on May 30, 2005. The Regulation specifically permits the University to make funding contributions in excess of the minimum provided.

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

	2006	2005
	(In thousands)	
Net assets at market value	\$ 123,236	\$ 113,374
Smoothing adjustment	(9,323)	(7,436)
Smoothed value of net assets	\$ 113,913	\$ 105,938

As a result of the going-concern deficiency reported in the Actuarial Valuation at December 31, 2004, the University was required to make additional contributions of \$166,000 in 2005, \$178,000 in 2006 and \$187,000 in 2007 to cover the current service shortfall.

During 2005, amendments were made to the *Pension Benefits Act* which will affect the benefits payable from the Plan. These amendments have yet to be proclaimed and the corresponding regulations have yet to be published but, based on a preliminary interpretation, the Plan's Actuary estimates that these changes will add approximately \$1,100,000 to the actuarial present value of accrued benefits at December 31, 2004 and would increase the annual special funding payments to approximately \$500,000.

The smoothed value of net assets exceeds the obligation for pension benefits (note 5a) at December 31, 2006 as follows:

	2006	2005
	(In thousands)	
Smoothed value of net assets	\$ 113,913	\$ 105,938
Obligation for pension benefits (note 5a)	\$ 113,891	\$ 110,167
Smoothed value of net assets in excess of obligation for pension benefits	\$ 22	\$ (4,229)

UNIVERSITY OF WINNIPEG PENSION PLAN

Notes to the Financial Statements (continued)

Year ended December 31, 2006

(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 values 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.

Short-term notes, treasury bills and term deposits maturing within a year are stated at cost, which together with accrued interest income approximates fair value given the short-term nature of these investments.

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

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

(d) Investment income:

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

(e) Foreign currency translation:

The fair values of foreign currency denominated investments included in the statement of net assets available for benefits are translated into Canadian dollars at year end rates of exchange. 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 B to the financial statements are translated into Canadian dollars at the rates of exchange in effect on the dates of the related transactions.

(f) 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. Estimates were also used in Note 9 in determining the contingent lump sum and related interest amounts.

UNIVERSITY OF WINNIPEG PENSION PLAN

Notes to the Financial Statements (continued)

Year ended December 31, 2006

3. Risk management:

Defined benefit:

Fair values of investments and therefore the Plan's net assets available for benefits 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 Policies 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 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 (schedule A) represents the total investments of the defined benefit segment and defined contribution segment of the Plan held by the custodians. In respect to the defined benefit segment of the Plan, an external investment manager invests the Plan assets pursuant to the approved investment policy. The fixed income component is comprised of bonds and debentures (\$3,608,748) with maturity dates varying from 2007 to 2040 and interest rates varying from 4.51% to 8.24% and pooled fixed income funds (\$48,580,461). 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.

UNIVERSITY OF WINNIPEG PENSION PLAN

Notes to the Financial Statements (continued)

Year ended December 31, 2006

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 Regents of the University. An actuarial valuation of the Plan was prepared, effective December 31, 2004 by Eckler Ltd., a firm of consulting actuaries, and the results of this valuation were extrapolated by them to December 31, 2006 as follows:

	2006	2005
	(In thousands)	
Actuarial present value of accrued pension benefits, beginning of year	\$ 110,167	\$ 106,801
Interest accrued on benefits	6,765	6,572
Pension increase	717	274
Benefits accrued	2,383	2,423
Benefits paid, refunds and transfers	(6,930)	(6,568)
Actuarial loss	789	665
Actuarial present value of accrued pension benefits, end of year	\$ 113,891	\$ 110,167

The pension increase in respect of 2006 of 1.65% will be effective July 1, 2007 and is equal to the increase in the Consumer Price Index (CPI) in 2006. The Plan provides that the increase in respect of a year will be equal to the excess of the rate of return in that year, based on smoothed asset values, over 6%, subject to a maximum of the increase in the CPI in that year. For 2006, the excess of the rate of return based on smoothed asset values over 6% was 5.75% while the CPI increase was 1.65%. The Plan guarantees that pensioners who retired prior to January 1, 1998 will receive an increase in respect of the period from January 1, 1997, or the date of retirement, if later, to December 31, 2006 such that the accumulated increase since 1998 is at least 75% of the increase in the CPI (CPI guarantee) during the same period. An increase of 1.29% is required to satisfy that guarantee this year but since the normal pension increase provision will provide 1.65%, the guarantee has no effect.

The pension increase in respect of 2005 of 0.53% was effective July 1, 2006 and was equal to the excess of the rate of return in 2005, based on smoothed asset values, over 6%, as provided in the Plan. Pensioners who retired prior to January 1, 1998 received an additional 1.16% increase in respect of the 75% of CPI guarantee.

The actuarial loss for 2006 is primarily due to the interest credit on member contributions for 2006 of 11.75% being higher than the 6.5% assumed.

The actuarial loss for 2005 is due partly as a result of pensioner mortality experience and partly as a result of early retirement.

UNIVERSITY OF WINNIPEG PENSION PLAN

Notes to the Financial Statements (continued)

Year ended December 31, 2006

5. Obligation for pension benefits (continued):

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

	2006	2005
	(In thousands)	
Market value of net assets	\$ 123,236	\$ 113,374

The assumptions used in determining the actuarial value of accrued benefits in the valuation at December 31, 2004 and the extrapolation to December 31, 2006 were developed by reference to expected long-term market conditions. Significant actuarial assumptions used in the valuation were:

	2006	2005
Rate of return on investments (discount rate) - pre-retirement	6.5%	6.5%
- post-retirement	6.0%	6.0%
Rate of salary increase - current year	3.0%	2.5%
- thereafter	4.0%	4.0%

In January, 2007 the actuary reviewed the assumptions for the purpose of providing estimates of the Plan's financial position in support of discussions taking place between the University and Plan stakeholders. As a consequence of this review, the actuary has indicated that the assumed rates of return on investments will likely be reduced at the next full funding valuation to 6.0% pre-retirement and 5.75% post-retirement. The effect of implementing these assumption changes is estimated to be an increase in the actuarial value of accrued benefits of \$2.7 million for a total actuarial present value of accrued pension benefits of \$116.6 million as at December 31, 2006.

(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.

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

	2006	2005
	(In thousands)	
Balance, beginning of year	\$ 13,681	\$ 11,049
Contributions	1,870	1,641
Refunds and transfers	(846)	(420)
Net investment return	1,856	1,411
Balance, end of year	\$ 16,561	\$ 13,681

UNIVERSITY OF WINNIPEG PENSION PLAN

Notes to the Financial Statements (continued)

Year ended December 31, 2006

6. Funding policy:

The University's regular contribution is 7.0% of pensionable salary to the defined benefit segment and 6.0% to the defined contribution segment less an adjustment, in each case, for the Canada Pension Plan. For Members receiving long-term disability benefits, the University pays the employee contributions as well as its own contributions. In addition, the University is responsible for any additional contributions required under the *Pension Benefits Act*.

7. Related party transactions:

The University charges benefit administration costs to the Plan. The charge for 2006 was \$55,377 (2005 - \$54,185) and has been included in other expenses. This transaction is measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Other administration services including accounting and secretarial services are provided by the University at no charge to the Plan.

8. Agreement between the University and Plan stakeholders:

In April 2003, the University and Plan Stakeholders of the defined benefit segment of the Plan agreed to amend the provisions of the Plan Amendment 2001/1 that was approved by the Board of Regents in December 2000. All of the provisions of the agreement have been implemented with the exception of the establishment of a Board of Trustees to oversee the administration of the Plan. Discussions are ongoing between the University and the Plan Stakeholders with respect to transition of the Plan to a Board of Trustees.

9. Contingency:

On December 8, 2006, the Superintendent of Pensions issued an Order requiring the University to develop and implement a written governance framework, and pay a lump sum amount estimated to be \$6.2 million, plus interest of about \$2 million, into the Plan, for the benefit of defined benefit members, in relation to the undistributed portion of their proportionate share of the Plan surplus, as determined by the Plan Actuary in 1999.

The University has appealed the Superintendent's decision to the Pension Commission, and is seeking that the Order be quashed. The appeal proceedings before the Pension Commission have commenced, but the outcome will not be determined for some time. The decision of the Commission may be further appealed to the Manitoba Court of Appeal, and the University has taken the position before the Commission, that the Order should be stayed until all legal proceedings are concluded. No payment, pursuant to the Order has been made, and no provision has been made for such future payment in the financial statements of the University or the Plan.

10. 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.