Financial Statements of

UNIVERSITY OF WINNIPEG TRUSTEED PENSION PLAN

Year ended December 31, 2010

THE UNIVERSITY OF WINNIPEG
TRUSTEED PENSION PLAN

FINANCIAL STATEMENTS

For the Year Ended December 31, 2010

THE UNIVERSITY OF WINNIPEG
TRUSTEED PENSION PLAN
BOARD OF TRUSTEES

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, 2010, 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 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)

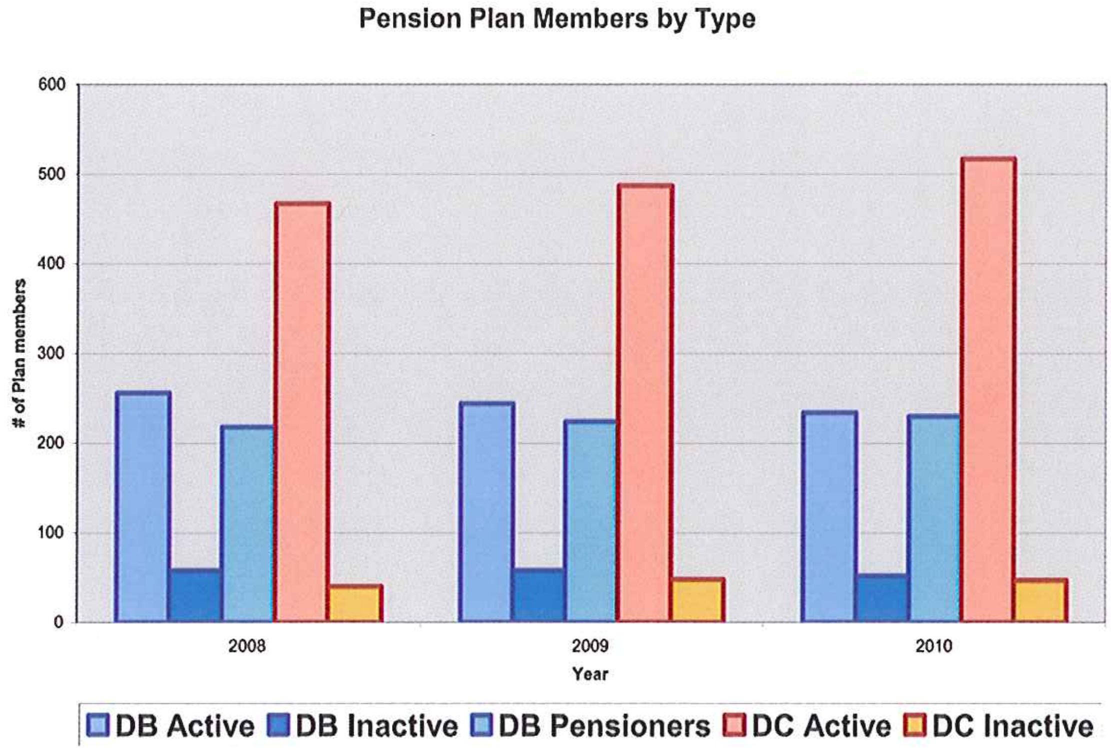
The formula pension is subject to a Plan benefit maximum of $1,722.22 per year of pensionable service, according to the current Plan provisions. Retirement options include a choice of monthly pension from a variety of payment options, or a transfer of the Commuted Value to a LIRA (Locked-In Retirement 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/index/hr-benefits-pension.

For information on the current membership of the Board of Trustees and Board Committees, please visit the Board of Trustees web page at http://www.uwinnipeg.ca/index/hrbenefits-pension-trustees.

The following graph shows the number of members in each Plan category for the past three 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:

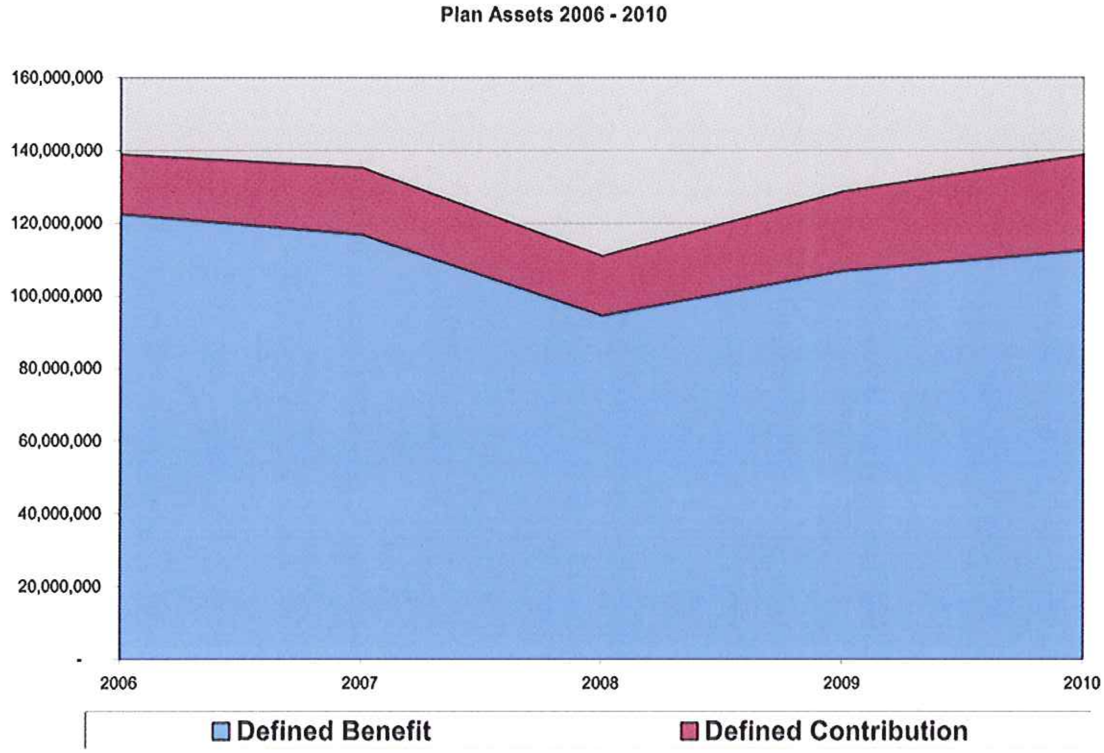
The market in 2010 continued the recovery of 2009 from the lows experienced in 2008. As a result of the positive returns of 2010, the Pension Plan's net assets increased to $139.6 million at December 31, 2010; up from $111.5 million at December 31, 2008 and $129.4 million at December 31, 2009.

The net return for 2010 on the Defined Benefit component was 10.27% (as compared to 17.37% for 2009). According to the smoothing calculation, which averages returns over a four year period, the return on the fund was 2.11% (as compared to 2.10% for 2009).

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 2010 was 2.11%, there is no cost of living increase payable in 2011.

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

The following graph provides a five year overview of the changes in Plan Assets.



Contributions, Benefit Payments and Plan Expenses:

The University makes 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 2010 of $677,000. This is made up of $291,000 to fund a current service shortfall (the cost of DB benefits earned by active DB members in 2010 were $291,000 higher than the member and University's basic contributions for the year, that difference was made up by additional contributions from the University) and $386,000 to address the "going-concern" actuarial valuation deficiency in 2004. These payments will continue to be required until the actuarial deficiency is eliminated.

The Pension Plan receives an actuarial valuation once every three years. The actuaries are currently preparing the valuation as at December 31, 2010. The financial statements reflect the "going concern" valuation basis of the Plan, and represent the current financial position of the Plan.

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 2010 Financial Statements received an unqualified audit opinion from KPMG, an independent audit firm appointed by the Board of Trustees.

Contributions	**2008**	**2009**	**2010**
DB Member	923,914	878,431	852,196
DB University	1,846,551	1,780,380	1,745,399
DC Member	1,240,322	1,381,500	1,506,344
DC University	1,258,845	1,402,948	1,520,145
	5,269,632	5,443,259	5,624,084
Distributions			
DB Pensioners	5,630,043	5,922,666	6,219,149
DB Refunds & Transfers	1,980,069	361,508	1,866,029
DC Refunds & Transfers	859,627	525,091	1,141,792
DB Investment Manager Fees	404,969	376,132	399,344
DB Actuarial Fees	18,290	56,275	82,432
DB Custodial Fees	46,837	46,718	52,309
DB/DC Administration Fees	51,286	60,018	37,098
DB/DC Other Expenses	119,725	127,612	122,225
	9,110,846	7,476,020	9,920,378

Benefit Payments:

Benefit payments to DB pensioners increased by $296,483, while refunds and transfers paid to DB and DC members who left the University and commuted their pension benefits increased by $1,504,521. Overall, Plan expenses remained fairly steady. There was an increase in actuarial costs in 2010 resulting from the Superintendent's Order for the payment of the 2000 surplus.

Surplus Payment:

The 2010 financial statements also include the receipt of an $8.8 million payment from the University related to a surplus distribution agreement dating back to 2000. $8.6 million of this amount had been paid to eligible members as of December 31, 2010. The remaining amount being held by the Plan in trust relates to eligible members who could not be located or had legal restrictions over the distribution. These amounts will be paid out as the members are located and restrictions are removed.

For more information on the payment please see http://www.uwinnipeg.ca/index/hr-benefits-pension-trustees-surplus.

DC Fund Asset Mix

The Defined Contribution component of the Plan is a member directed investment plan administered through Sun Life financial. Following the results of the DC member satisfaction survey conducted in the fall of 2009, The DC Committee determined that changes needed to be made to the DC fund lineup offered through Sun Life Financial, in order to provide members with more investment choice and investment flexibility.

One of the goals of the DC Committee had been to reduce the number of fund offerings in order to simplify investment choice for Plan members. The results of the survey indicated that Plan members were largely satisfied with the overall number of funds, and instead of a reduction in the number of funds they wanted more differentiation in the available fund choices, with some specific funds being added, such as a GIC or other guaranteed investment fund. Members with assets in funds that had been eliminated had a period of time ending in January 2011 to determine which fund to transfer their assets into. At December 31, 2010 there were assets in both the old and new funds.

Fund	%	Fund	%
B.G. Balanced Fund	1.7%	MB Select Balanced Fund	1.3%
B.G. Global Fund	0.0%	MB Select Cdn Equity Fund	1.2%
B.G. Income Fund	1.2%	MB Select Global Equity	0.5%
B.G. American Equity	0.2%	MFS Global Equity	0.4%
BLK Active Canadian Eq.	0.6%	RSL LP Bal Growth Port Class A	5.3%
Bonavista Balanced	0.8%	RSL LP Bal Inc Port Class A	4.2%
CC&L Group Bond Fund	2.0%	RSL LP Bal Lt Gwth Port Class A	5.9%
CC&L Grp Balanced Plus	6.0%	RSL Ovrs Equity Fund Class A	0.5%
CC&L Grp Cdn Equity Fund	1.3%	SLA 5Yr Guaranteed Fund	0.3%
Fidelity Global	1.1%	SLF Money Market	3.7%
Fidelity True North Fund	6.3%	TDAM Balanced Index Fund	29.1%
JF Canadian Equity Fund C	1.2%	TDAM Cdn Bond Index Fund	2.6%
LM Western Asset Income	1.2%	TDAM Cdn Equity Index Fund	3.5%
MB Bal Growth Fund C	4.9%	TDAM Global Equity Index	0.1%
MB Canadian Equity	0.1%	TDAM US Mkt Index Fund	0.5%
MB Cdn Eq Growth Fund C	3.9%	Trimark Fund C	0.7%
MB Fixed Income Fund	1.6%	UBS Canadian Equity	0.2%
MB Global Equity Fund	0.9%	UBS US Equity Fund	1.3%
MB Lifeplan 2015	0.6%		
MB Lifeplan 2020	2.7%		
MB Lifeplan 2025	0.3%		
MB Lifeplan 2030	0.1%		
MB Lifeplan 2035	0.2%		
MB Lifeplan 2040	0.0%		
MB Lifeplan 2045	0.0%		

(Original signed by Michael Emslie)

Michael D. Emslie, CA
Treasurer, University of Winnipeg Trusteed Pension Plan
June 22, 2011

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)

Bill Balan
Vice-President (Finance & Administration)

(Original signed by Michael Emslie)

Michael Emslie, CA
Controller and Executive Director

June 22, 2011

Eckler
CONSULTANTS + ACTUARIES

A. Douglas Poapst, FSA, FCIA

Eckler Ltd.
2475 – One Lombard Place
Winnipeg, Manitoba R3B 0X3
Canada

www.eckler.ca

Writer's Tel 204 988-1576
Email dpoapst@eckler.ca

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, 2007 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, 2010 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.

(Original signed by A. Douglas Poapst)

June 28, 2011
Date

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

KPMG LLP
Chartered Accountants
Suite 2000 - One Lombard Place
Winnipeg MB R3B 0X3
Canada

Telephone (204) 957-1770
Fax (204) 957-0808
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
University of Winnipeg Trusteed Pension Plan

We have audited the accompanying financial statements of the University of Winnipeg Trusteed Pension Plan, which comprise the statement of net assets available for benefits and the summary of investments as at December 31, 2010, the statements of changes in net assets available for benefits and changes in net assets available for benefits by segment for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the net assets available for benefits administered by the University of Winnipeg Trusteed Pension Plan as at December 31, 2010, and its changes in net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

June 22, 2011

Winnipeg, Canada

STATEMENT I

UNIVERSITY OF WINNIPEG TRUSTEED PENSION PLAN

Statement of Net Assets Available for Benefits

December 31, 2010, with comparative figures for 2009

	2010	2009
Assets		
Cash	$531,353	$604,517
Contributions receivable:		
Members	63,168	66,420
University	79,292	83,550
Investment income receivable	64,689	53,063
Investments (schedule A)	138,878,778	128,773,502
	$139,617,280	$129,581,052
Liabilities		
Accounts payable and accrued liabilities	$202,964	$157,931
	$202,964	$157,931
Net Assets Available for Benefits	$139,414,316	$129,423,121

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

See accompanying notes to financial statements.

On behalf of the Board of Trustees:

(Original signed by Karen Zoppa) Chair

(Original signed by Henry Hudek) Vice-Chair

UNIVERSITY OF WINNIPEG TRUSTEED PENSION PLAN

Statement of Changes in Net Assets Available for Benefits

Year ended December 31, 2010, with comparative figures for 2009
(see schedule B)

	2010	2009
Increase (decrease) in assets:		
Contributions (note 6):		
Members	$2,358,540	$2,242,656
University	3,265,544	3,166,053
University lump sum contribution	8,775,827	-
Transfers from other plans	406,801	-
Investment income	4,498,458	5,797,153
Current period change in fair value of investments	8,184,910	15,246,008
Net realized gain (loss) on sale of investments	985,434	(1,061,285)
	28,475,514	25,390,585
Decrease in assets:		
Benefits paid to retired members	6,219,149	5,922,666
Surplus distribution payments	8,563,941	-
Refunds and transfers	3,007,821	886,599
Administrative expenses:		
Investment managers' fees	399,344	376,132
Actuarial fees	82,432	56,275
Administrator's fees	37,098	25,468
Custodial fees	52,309	46,718
Other expenses (note 8)	122,225	127,612
	693,408	632,205
	18,484,319	7,441,470
Net increase in assets available for benefits	9,991,195	17,949,115
Net assets available for benefits, beginning of year	129,423,121	111,474,006
Net assets available for benefits, end of year	$139,414,316	$129,423,121

See accompanying notes to financial statements.

UNIVERSITY OF WINNIPEG TRUSTEED PENSION PLAN

Summary of Investments

December 31, 2010, with comparative figures for 2009

	2010			2009		
	Fair value	Cost	% Fair value	Fair value	Cost	% Fair Value
Defined benefit:						
Fixed income	$52,654,150	$50,611,530	46.79	$53,515,053	$52,485,708	50.05
Canadian equities	39,536,874	31,437,869	35.13	33,393,026	29,763,951	31.23
U.S. equities	9,989,776	10,257,409	8.88	9,645,685	10,617,533	9.02
International equities	10,355,999	10,633,445	9.20	10,366,110	11,410,543	9.69
Short-term	-	-	0.00	11,920	11,920	0.01
	112,536,799	102,940,253	100.00	106,931,794	104,289,655	100.00
Defined contribution	26,341,979	24,249,301	100.00	21,841,708	21,402,195	100.00
Total investments	$138,878,778	$127,189,554	100.00	$128,773,502	$125,691,850	100.00

UNIVERSITY OF WINNIPEG TRUSTEED PENSION PLAN

Changes in Net Assets Available for Benefits by Segment

Year ended December 31, 2010

	Defined Benefit Segment	Defined Contribution Segment	Total
Increase (decrease) in assets:			
Contributions			
Members	$852,196	$1,506,344	$2,358,540
University	1,745,399	1,520,145	3,265,544
University lump sum contribution	8,775,827	-	8,775,827
Transfers from other plans	-	406,801	406,801
Investment income	3,942,870	555,588	4,498,458
Current period change in fair value of Investments	6,934,249	1,250,661	8,184,910
Net realized gain on sale of investments	582,910	402,524	985,434
	22,833,451	5,642,063	28,475,514
Decrease in assets:			
Benefits paid to retired members	6,219,149	-	6,219,149
Surplus distribution payments	8,563,941	-	8,563,941
Refunds and transfers	1,866,029	1,141,792	3,007,821
Administrative expenses:			
Investment managers' fees	399,344	-	399,344
Actuarial fees	82,432	-	82,432
Administrator's fees	37,098	-	37,098
Custodial fees	52,309	-	52,309
Other expenses (note 8)	122,225	-	122,225
	693,408	0	693,408
	17,342,527	1,141,792	18,484,319
Net increase in assets available for benefits	5,490,924	4,500,271	9,991,195
Net assets available for benefits, beginning of year	107,573,028	21,850,093	129,423,121
Net assets available for benefits, end of year	$113,063,952	$26,350,364	$139,414,316

1. Description of the trusteed 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.

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.

2. Significant accounting policies (continued):

(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, 2007.

The actuarial valuation at December 31, 2007 reported that the defined benefit segment of the Plan had a solvency deficiency of $20,665,000 at that date. At the request of the Board of Trustees, the actuary provided an update of the solvency deficiency as at December 31, 2008. The actuary projects this amount to be $43,936,000 at December 31, 2008.

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.

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 $3,746,000 and the annual funding payments are $386,000. While the remaining going concern deficiency has declined to $2,384,000 at December 31, 2007, the University will continue to make annual contributions of $386,000 until the deficiency is eliminated.

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

	2010	2009
Net assets at market value	$113,074,000	$107,573,000
Smoothing adjustment	(2,787,000)	5,652,000
Smoothed value of net assets	$110,287,000	$113,225,000

2. Significant accounting policies (continued):

Because the Plan had a going concern deficiency at December 31, 2007, the University was also required to make an additional contribution from 2008 through 2010 to cover the current service shortfall. A full actuarial valuation of the Plan as at December 31, 2010 to be completed during 2011 will establish a new going concern deficiency, the special payments required to amortize that deficiency over 15 years, and the current service cost shortfall for the period until the next valuation. The 2010 valuation was not completed at the time these statements were finalized.

The full valuation as at December 31, 2010 will take into account:

- Changes in economic assumptions [note 5(a)],
- Changes in non-economic assumptions as appropriate, and
- Amendments were made to the *Pension Benefits* Act which came into effect on May 31, 2010 and affect the benefits payable from the Plan. The Plan's Actuary had estimated in 2009 that the legislation changes would add approximately $1,900,000 to the actuarial present value of accrued benefits as at December 31, 2008.

The obligation for pension benefits [note 5(a)] exceeds the smoothed value of net assets at December 31, 2010 as follows:

	2010	2009
Smoothed value of net assets	$110,287,000	$113,225,000
Obligation for pension benefits [note 5(a)]	(134,990,000)	(123,320,000)
Net obligation for pension benefits in comparison to the smoothed value of net assets	($24,703,000)	($10,095,000)

(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.

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.

2. Significant accounting policies (continued):

(c) Fair Value Measurement:

Each Financial Instrument is classified into one of three fair value levels as follows:

Level 1 – for unadjusted quoted prices in active markets for identical unrestricted assets or liabilities.

Level 2 – for inputs, other than quoted prices included in Level 1, that are observable for the asset or liability, either directly or indirectly, and

Level 3 – for inputs that are based on unobservable market data and are significant to the fair value measurement.

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

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

(e) Investment income:

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

(f) Foreign currency translation:

The fair values of foreign currency denominated investments included in the statement of 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 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.

2. Significant accounting policies (continued):

(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) Future changes in accounting policy and disclosures:

New Pension Plan Accounting Standards

The Accounting Standards Board (AcSB) has approved new pension plan accounting standards effective for fiscal years beginning on or after January 1, 2011. Accordingly, the CICA approved *Section 4600 - Pension Plans* as Part IV of the CICA Accounting Handbook. The AcSB developed *Section 4600* based on the existing *Section 4100 - Pension Plans.*

In accordance with the new standards, the statement of net assets available for benefits is to be replaced by a statement of financial position which includes pension obligations together with net assets available for benefits and the resulting surplus or deficit. The standards include references to other Parts of the CICA Accounting Handbook for issues not directly addressed in *Section 4600*, such as:

- All investment assets and investment liabilities shall be measured at fair value. In determining fair value, reference should be made to *IAS 39 – Financial Instruments: Recognition and Measurement* in Part I of the Handbook.
- Within its investment portfolio, a pension plan should refer to *IFRS 7 – Financial Instruments: Disclosures* in Part I of the Handbook for those investments that are financial instruments. For all other investments, a description of how fair values have been determined should also be disclosed.

The comparative figures will be restated in accordance with the new accounting standards.

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 fixed income component is comprised of bonds and debentures of $5,786,990 ($5,205,607 – 2009) with maturity dates varying from 2012 to 2108 and interest rates varying from 3.30% to 9.98% and pooled fixed income funds of $46,867,160 ($48,309,446 – 2009). 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).

(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.

4. Risk management (continued):

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, 2010, 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 $3,083,000 ($3,191,000 – 2009). 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.

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

As at December 31, 2010	Actual currency exposure	%
Canadian	$92,261,120	82.0%
US dollar	9,634,839	8.6%
Euro	2,583,913	2.3%
Japanese yen	2,054,923	1.8%
British pound sterling	1,790,428	1.6%
Swiss franc	1,281,784	1.1%
Other currencies	2,929,792	2.6%
	$112,536,799	100.0%

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 $2,028,000 ($2,031,000 – 2009) as at December 31, 2010.

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 2010, 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 $5,988,000 ($5,356,000 – 2009).

4. Risk management (continued):

(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:

	2010	2009
Credit Rating		
AAA	$25,125,411	$26,223,246
AA	6,750,757	7,062,064
A	16,597,335	16,796,778
B – BBB	4,180,647	3,432,965
	$52,654,150	$53,515,053

(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:

	2010	2009
Less than one year	$4,571,897	$989,731
One to five years	17,809,988	22,561,146
After five years	30,272,265	29,964,176
Total fair value	$52,654,150	$53,515,053

4. Risk management (continued):

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 are concentrated in its investment holdings and are 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:

Fund Name	Fair Value 2010	Fair Value 2009	Credit Risk	Currency Risk	Interest Rate Risk	Liquidity Risk	Other Price Risk
B.G. Balanced Fund	439,791	0	X	X	X	X	X
B.G. Global Fund	1,522	0		X			X
B.G. Income Fund	325,075	0	X	X	X	X	X
B.G. American Equity	42,454	0		X			X
BLK Active Canadian Eq.	158,703	0					X
Bonavista Balanced	201,809	0	X	X	X		X
CC&L Group Bond Fund	526,272	863,379	X	X	X		X
CC&L Grp Balanced Plus	1,581,506	1,632,594	X	X	X		X
CC&L Grp Cdn Equity Fund	329,987	318,760					X
Fidelity Global	281,526	307,215	X	X	X	X	X
Fidelity True North Fund	1,669,880	1,871,218	X	X	X	X	X
JF Canadian Equity Fund C	308,511	0					X
LM Western Asset Income	329,153	423,966	X		X		X
MB Bal Growth Fund C	1,280,711	1,416,563		X			X
MB Canadian Equity	29,418	0					X
MB Cdn Eq Growth Fund C	1,024,672	677,151					X
MB Fixed Income Fund	420,606	841,427			X		
MB Global Equity Fund	232,468	138,054		X			X
MB Lifeplan 2015	144,992	0		X			X
MB Lifeplan 2020	701,448	0		X			X
MB Lifeplan 2025	84,030	0		X			X
MB Lifeplan 2030	26,563	0		X			X
MB Lifeplan 2035	43,021	0		X			X
MB Lifeplan 2040	9,145	0		X			X
MB Lifeplan 2045	1,332	0		X			X
MB Select Balanced Fund	332,988	241,929		X			X
MB Select Cdn Equity Fund	306,689	360,969					X
MB Select Global Equity	130,163	146,405		X			X
MFS Global Equity	105,853	0		X		X	X
RSL LP Bal Growth Port Class A	1,383,117	1,698,654	X	X	X		X
RSL LP Bal Inc Port Class A	1,105,151	682,600	X	X	X		X
RSL LP Bal Lt Gwth Port Class A	1,560,920	1,655,288	X	X	X		X
RSL Ovrs Equity Fund Class A	126,065	120,581		X			X
SLA 5Yr Guaranteed Fund	69,060	0	X		X	X	X
SLF Money Market	981,735	651,698			X		
TDAM Balanced Index Fund	7,673,877	5,891,079	X	X	X	X	X
TDAM Cdn Bond Index Fund	693,559	581,581	X		X		X
TDAM Cdn Equity Index Fund	921,755	640,232					X
TDAM Global Equity Index	25,768	0		X		X	X
TDAM US Mkt Index Fund	144,010	138,792		X			X
Trimark Fund C	187,512	210,342		X			X
UBS Canadian Equity	57,102	0					X
UBS US Equity Fund	342,060	331,231		X			X
	26,341,979	21,841,708					

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, 2007 and updated to December 31, 2008 by Eckler Ltd., a firm of consulting actuaries. The results were extrapolated by Eckler Ltd. to December 31, 2010, but reflecting known membership movements and salary changes during 2008. The extrapolation of the actuarial present value of the pension benefits as at December 31, 2010 and the principal components of changes in actuarial present values during the year were as follows:

	2010	2009
Actuarial present value of accrued pension benefits, beginning of year	$123,320,000	$120,328,000
Interest accrued on benefits	7,103,000	6,983,000
Benefits accrued	2,225,000	2,293,000
Benefits paid, refunds and transfers	(8,085,000)	(6,284,000)
Actuarial loss	10,427,000	-
Actuarial present value of accrued pension Benefits, end of year	$134,990,000	$123,320,000

The actuarial loss in 2010 was measured as the impact of a change in economic assumptions. The changed economic assumptions are those expected to be used for the full actuarial valuation of the Plan to be conducted during 2011. Any gains or losses related to membership changes, salary changes, any change in non-economic assumptions or any other factor will be determined at the next full actuarial valuation to be conducted during 2011 based on plan membership data as at December 31, 2010.

The Plan provides that a pension 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 2010, there was no excess rate of return since the rate of return was less than 6% based on smoothed asset values, therefore, there is no pension increase in respect of 2010.

Similarly, there was no increase in respect of 2009 which would have become payable effective July 1, 2010.

5. Obligation for pension benefits (continued):

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

	2010	2009
Market value of net assets	$113,074,000	$107,573,000

The economic assumptions used in determining the actuarial value of accrued benefits were changed for the extrapolation to December 31, 2010 and were developed by reference to expected long-term market conditions. Significant actuarial assumptions used in the valuation were:

		2010	2009
Rate of return on investments	- pre-retirement	5.25%	6.0%
	- post-retirement	4.75%	5.75%
Rate of salary increase	- 2009	2.5%	2.5%
	- thereafter	3.4%	4.0%

(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 summarizes the changes in the defined contribution segment of the Plan:

	2010	2009
Balance, beginning of year	$21,850,000	$16,458,000
Contributions and transfers-in	3,465,000	2,785,000
Refunds and transfers	(1,156,000)	(525,000)
Net investment return	2,191,000	3,132,000
Balance, end of year	$26,350,000	$21,850,000

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*.

The University had negotiated increased regular contributions for both employees and the employer through collective bargaining with certain plan members beginning in 2012. The details of the increased contributions were not finalized as of the date of these statements.

7. Fair value disclosure:

The Plan's investments have been categorized based upon a fair value hierarchy in accordance with the amendment to CICA 3862. See note 2(c)(ii) 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, 2010. There have been no transfers between levels during the year.

Investments at Fair Value as at December 31, 2010				
	Level 1	Level 2	Level 3	Total
Fixed Income	-	52,654,150	-	52,654,150
Canadian Equities	39,426,144	110,730	-	39,536,874
U.S. Equities	9,989,776	-	-	9,989,776
International Equities	10,355,999	-	-	10,355,999
Short-Term	-	-	-	0
Defined Contribution	-	26,341,979	-	26,341,979
	59,771,919	79,106,859	-	138,878,778

Investments at Fair Value as at December 31, 2009				
	Level 1	Level 2	Level 3	Total
Fixed Income	-	53,515,053	-	53,515,053
Canadian Equities	33,393,026	-	-	33,393,026
U.S. Equities	9,645,685	-	-	9,645,685
International Equities	10,366,110	-	-	10,366,110
Short-Term	-	11,920	-	11,920
Defined Contribution	-	21,841,708	-	21,841,708
	53,404,821	75,368,681	-	128,773,502

8. Related party transactions:

The University charges benefit administration costs to the Plan. The cost for 2010 was $52,671 (2009 - $56,263) 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.

9. Surplus Distribution:

On December 8, 2006, the Superintendent of Pensions of Manitoba issued an Order requiring the University to pay a lump sum amount of $6,454,000, plus interest in respect to the distribution of a surplus dating back to 2000 to certain plan members. The University appealed the Order to the Manitoba Pension Commission, and further to the Manitoba Court of Appeal. As a result of the appeal to the Manitoba Pension Commission, the Superintendent issued a revised Order on June 6, 2008, leaving the Order with respect to surplus distribution unchanged. The Manitoba Court of Appeal delivered its decision in support of the Superintendent's Order on January 23, 2009.

Following the Court of Appeal decision, the Board of Trustees received clarification of the Order from the Superintendent with respect to several matters with respect to the Order, and requested Canada Revenue Agency approval for the necessary contribution by the University and the payment of corresponding amounts to plan members. The final necessary approval was received and The University contributed $8,775,827 into the Plan in January, 2010; payments to members entitled to a share of this amount commenced in February, 2010.

At December 31, 2010 approximately $212,000 of the University's contribution remained with the plan due to recipients not being located or due to individual circumstances. These amounts are being separately tracked and will be paid out when the Plan is able to do so.

10. Reclassification of comparative figures:

Certain 2009 comparative figures have been reclassified to conform with the financial statement presentation adopted for 2010.