Financial Statements of

UNIVERSITY OF WINNIPEG TRUSTEED PENSION PLAN

Years ended December 31, 2011 and 2010

THE UNIVERSITY OF WINNIPEG
TRUSTEED PENSION PLAN

FINANCIAL STATEMENTS

For the Year Ended December 31, 2011

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, 2011, 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:

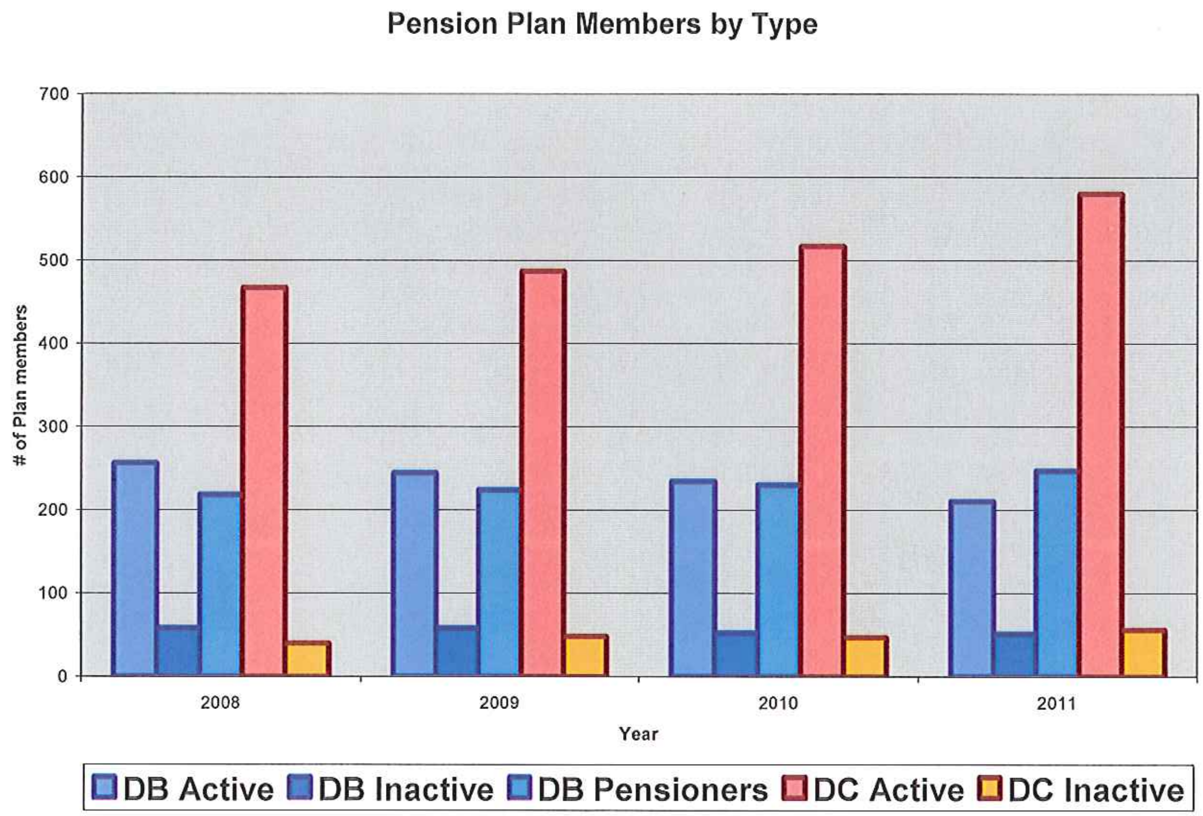
- years of credited service
- average pensionable salary (with a reduction for the Canada Pension Plan)

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-home.

The following graph shows the number of members in each Plan category for the past four 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 Statement Presentation

The 2011 financial statements were prepared according with new CICA accounting standards for Pension Plans. These standards are required for Pension Plan fiscal years beginning on or after January 1, 2011. As a result of the change there are several differences in the presentation of information in this year's financial statement relative to previous years. The most significant changes are:

- The inclusion of the actuarially determined present value of the accrued Pension Benefit as a liability on the Statement of Financial Position. This amount had previously been included in the notes to the Financial Statements,
- More detail on the source of contributions to the Plan, and more detailed breakdown of Plan expenditures on the Statements of Changes in Net Assets Available for Benefits,
- The addition of a new Statement of Changes in Accrued Pension Benefits. This information had previously been disclosed in the notes to the Financial Statements.

Financial Results:

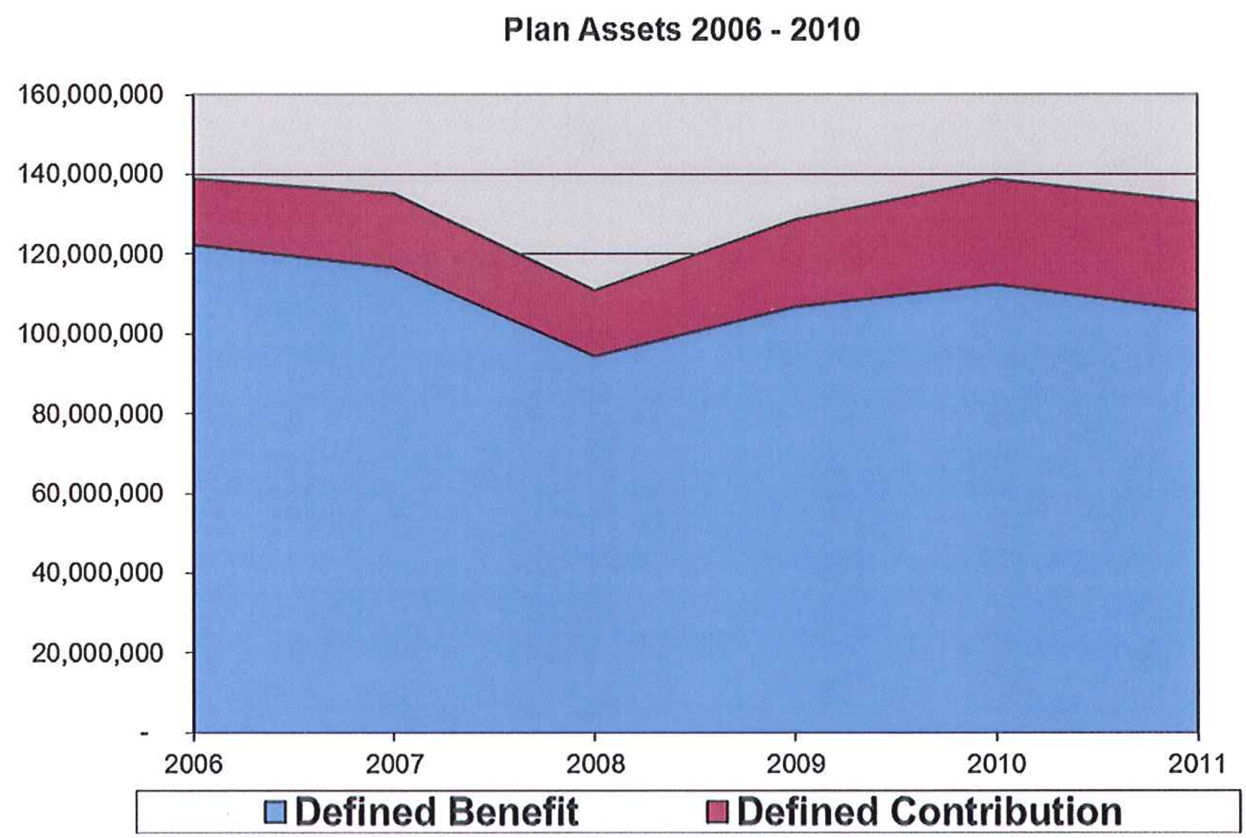
The returns on plan assets for 2011 were relatively flat; when combined with benefit payments exceeding contributions, the net assets of the Plan at December 31, 2011 declined by $4.2 million to $135.2 million from 139.4 million at December 31, 2010.

The net return for 2011 on the Defined Benefit component was a loss of 1.19% (as compared to a return of 10.27% for 2010). According to the smoothing calculation, which is a geometric average of returns over a four year period, the return on the fund was 2.23% (as compared to 2.11% for 2010).

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 2011 was 2.23%, there is no cost of living increase payable in 2012.

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 six year overview of the changes in Plan Assets.



Valuation
The DB component of the Pension Plan is required to undergo an actuarial valuation on a regular basis. The last full valuation was performed as of December 31, 2010.

According to the valuation, the Plan's unfunded liability position increased at December 31, 2010 which will require the University to increase its special funding payments for the period starting January 1, 2011. The Unfunded Liability is the result of lower than anticipated investment returns since the last valuation, primarily resulting from the economic downturn of 2008; amendments to the Manitoba Pension Benefits Act; and changes in the actuarial assumptions about future investment returns and plan member mortality rates.

It is important to note that the unfunded actuarial liability in the Plan does not impact the benefits that the Defined Benefit members are accruing or are receiving, but it does affect the amounts that the University is required to pay into the Plan to fund those benefits. As a result of the level of unfunded liability in the Plan as at December 31, 2010, actuarial valuations will now be conducted annually to track the progress and development of the financial position into the future.

More information on the valuation is available on the Trustees website at:
http://www.uwinnipeg.ca/index/cms-filesystem-action/hr-docs/hr-benefits/trustees/2011_valuation_letter.pdf

Contributions, Benefit Payments and Plan Expenses:
Active Members and the University make regular contributions to the DB and DC components of the Pension Plan based on the contribution formulas set out in the Plan.

The University also made required additional contributions to the DB component in 2011 of $3.5 million. This is made up of $624,000 to fund a current service shortfall (the cost of DB benefits earned by active DB members in 2011 were $624,000 higher than the member and University's basic contributions for the year, that difference was made up by additional contributions from the University), $240,000 to pay for administrative expenses, and $2,637,000 to address the "going-concern" actuarial valuation deficiency for 2011. These payments will continue to be required until the actuarial deficiency is eliminated.

The attached financial statements are prepared to assist Plan members and others in reviewing the activities of the Plan for the year. They do not report on the funding requirements of the Plan. This information is provided in the actuarial valuations.

The Plan's 2011 Financial Statements received an unqualified audit opinion from KPMG, an independent audit firm appointed by the Board of Trustees.

The following table summarizes the non-investment related transactions of the Plan (excluding the impact of the surplus payment discussed below

Contributions	2009	2010	2011
DB Member	878,431	852,196	785,478
DB University	1,780,380	1,745,399	4,501,369
DC Member	1,381,500	1,506,344	1,603,161
DC University	1,402,948	1,520,145	1,620,873
	5,443,259	5,624,084	8,510,881

Distributions	2009	2010	2011
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
	7,476,020	9,920,378	11,805,550

Benefit Payments:

Benefit payments to DB pensioners increased by $440,844, while refunds and transfers paid to DB and DC members who left the University and commuted their pension benefits increased by $1,417,182. Overall, Plan expenses remained fairly steady. There was an increase in actuarial costs in 2011 relating to the Actuarial Valuation of the Plan.

Surplus Payment:

The 2010 financial statements 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. $4,773 of the remaining amount was paid out in 2011.

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.

As of April 24, 2012, the Sun Life Financial Universe Bond Index Segregated Fund was added to the DC fund lineup. This fund offers fund management fees (FMFs) at a rate 0.05% lower than the Beutel Goodman Income Segregated Fund it will replace. Also as of June 26, 2012, a fund will be eliminated from the list of investment options. The Beutel Goodman Balanced Segregated Fund currently in the DC fund lineup will replace the BonaVista Balanced Segregated Fund

The following table summarizes the percentage of assets invested in each fund offered by the Plan.

B.G. Balanced Fund	5.7%	MB Lifeplan 2040	1.1%
B.G. Global Fund	0.0%	MB Lifeplan 2045	0.2%
B.G. Income Fund	8.0%	MB Lifeplan 2050	0.1%
B.G. American Equity	1.4%	MB Lifeplan Retiree	2.4%
BLK Active Canadian Eq.	6.5%	MB Responsible Balanced	1.4%
Bonavista Balanced	6.2%	MB Responsible Cdn. Equity	0.8%
JF Canadian Equity Fund C	3.2%	MB Responsible Global Eq.	0.3%
MB Canadian Equity	0.4%	MFS Global Equity	2.0%
MB Global Equity Fund	1.0%	SLA 5Yr Guaranteed Fund	1.2%
MB Lifeplan 2015	2.7%	SLF Money Market	5.4%
MB Lifeplan 2020	4.7%	TDAM Balanced Index Fund	30.9%
MB Lifeplan 2025	3.5%	TDAM Cdn Bond Index Fund	3.2%
MB Lifeplan 2030	2.3%	TDAM Cdn Equity Index Fund	3.1%
MB Lifeplan 2035	1.4%	TDAM Global Equity Index	0.2%
		TDAM US Mkt Index Fund	0.7%

(Original signed by Michael Emslie)

Michael D. Emslie, CA
Treasurer, University of Winnipeg Trusteed Pension Plan
June 11, 2012

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
Associate Vice-President Finance &
Comptroller

June 22, 2012

Eckler
CONSULTANTS + ACTUARIES

Andrew Kulyk, FSA, FCIA

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Actuary's Opinion

Eckler Ltd. had been retained by the University of Winnipeg to perform an actuarial valuation of the assets and the going-concern liabilities of the defined benefit part of the University of Winnipeg Pension Plan (the "Plan") as at December 31, 2010 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, 2011 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.

June 18, 2012
Date

(Original signed by Andrew Kulyk)
Andrew Kulyk,
Fellow of the Institute of Actuaries
Fellow of the Canadian Institute of Actuaries

KPMG LLP
Chartered Accountants
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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
University of Winnipeg Trusteed Pension Plan

We have audited the accompanying financial statements of University of Winnipeg Trusteed Pension Plan, which comprise the statements of financial position as at December 31, 2011 and December 31, 2010, the statements of changes in net assets available for benefits and changes in obligations for pension benefits for the years 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 accounting standards for pension plans, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the University of Winnipeg Trusteed Pension Plan as at December 31, 2011 and December 31, 2010, and the changes in its net assets available for benefits and the changes in its obligations for pension benefits for the years ended December 31, 2011 and December 31, 2010, in accordance with Canadian accounting standards for pension plans.

KPMG LLP

Chartered Accountants

June 11, 2012

Winnipeg, Canada

UNIVERSITY OF WINNIPEG TRUSTEED PENSION PLAN

Statements of Financial Position

December 31, 2011 and December 31, 2010

	2011	2010
Assets		
Cash	$1,943,222	$531,353
Contributions receivable:		
Members	56,338	63,168
University	71,734	79,292
Investment income receivable	93,833	64,689
Investments (schedule A)	133,284,281	138,878,778
	$135,449,408	$139,617,280
Liabilities		
Accounts payable and accrued liabilities	$163,751	$151,088
Due to University of Winnipeg	99,837	51,876
	263,588	202,964
Net Assets Available for Benefits		
Available for defined contribution obligations	27,309,533	26,341,978
Available for defined benefit obligations	107,876,287	113,072,338
	135,185,820	139,414,316
Obligations for Pension Benefits		
Defined contribution obligations	27,309,533	26,341,978
Actuarial present value of accrued pension benefits	143,576,000	135,205,000
Deficiency of Net Assets Available for Benefits over Obligations for Pension Benefits	($35,699,713)	($22,132,662)

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

See accompanying notes to financial statements.

On behalf of the Board of Trustees:

(Original signed by Henry Hudek) Chair

(Original signed by Laurel Repski) Vice-Chair

UNIVERSITY OF WINNIPEG TRUSTEED PENSION PLAN

Statements of Changes in Net Assets Available for Benefits

Years ended December 31, 2011 and 2010
(see schedule C)

	2011	2010
Increase (decrease) in assets:		
Contributions (note 6):		
Members		
Required contributions	$2,388,639	$2,358,540
University		
Current service contributions	3,485,242	2,879,544
Special contributions	2,637,000	386,000
Lump sum contribution	-	8,775,827
Transfers from other plans	72,741	406,801
Investment income	6,015,353	4,498,458
Current period change in fair value of investments	(10,664,077)	8,184,910
Net realized gain on sale of investments	3,646,929	985,434
	7,581,827	28,475,514
Decrease in assets:		
Benefits paid		
Retirement benefit payments	6,659,993	6,219,149
Termination benefit payments	2,790,541	2,301,854
Death benefit payments	1,634,462	705,967
Surplus distribution payments	4,773	8,563,941
Administrative expenses:		
Investment managers' fees	398,867	399,344
Actuarial fees	144,158	82,432
Administrator's fees	25,137	37,098
Custodial fees	45,428	52,309
Audit fees	14,448	14,000
Other expenses (note 9)	92,516	108,225
	720,554	693,408
	11,810,323	18,484,319
Net increase (decrease) in assets available for benefits	(4,228,496)	9,991,195
Net assets available for benefits, beginning of year	139,414,316	129,423,121
Net assets available for benefits, end of year	$135,185,820	$139,414,316

See accompanying notes to financial statements.

UNIVERSITY OF WINNIPEG TRUSTEED PENSION PLAN

Statements of Changes in Obligations for Pension Benefits

Year ended December 31, 2011 and 2010

	2011			2010		
	Defined Benefit Segment	Defined Contribution Segment	Total	Defined Benefit Segment	Defined Contribution Segment	Total
OBLIGATIONS FOR PENSION BENEFITS, BEGINNING OF YEAR	$135,205,000	$26,341,978	$161,546,978	$123,320,000	$21,841,707	$145,161,707
Interest accrued on benefits	6,921,000	-	6,921,000	7,103,000	-	7,103,000
Amendments to the Plan	3,263,000	-	3,263,000	-	-	-
Net investment return (loss)	-	(381,123)	(381,123)	-	2,208,773	2,208,773
Experience gains and losses	1,325,000	-	1,325,000	215,000	-	215,000
Contributions and transfers in	-	3,296,775	3,296,775	-	3,433,290	3,433,290
Benefits accrued	2,375,000	-	2,375,000	2,225,000	-	2,225,000
Benefits paid, refunds and transfers	(9,142,000)	(1,948,097)	(11,090,097)	(8,085,000)	(1,141,792)	(9,226,792)
Actuarial loss	3,629,000	-	3,629,000	10,427,000	-	10,427,000
OBLIGATIONS FOR PENSION BENEFITS, END OF YEAR	$143,576,000	$27,309,533	$170,885,533	$135,205,000	$26,341,978	$161,546,978

UNIVERSITY OF WINNIPEG TRUSTEED PENSION PLAN

Summary of Investments

December 31, 2011 and December 31, 2010

	2011			2010		
	Fair value	Cost	% Fair value	Fair value	Cost	% Fair Value
Defined benefit:						
Fixed income	$52,881,559	$49,406,344	49.90	$52,654,151	$50,611,530	46.79
Canadian equities	34,388,243	33,248,743	32.45	39,536,874	31,437,869	35.13
U.S. equities	8,723,136	9,566,492	8.23	9,220,694	9,467,735	8.19
International equities	9,378,412	10,285,120	8.85	11,125,081	11,423,119	9.89
Short-term	603,398	600,000	0.57	-	-	0.00
	105,974,748	103,106,699	100.00	112,536,800	102,940,253	100.00
Defined contribution	27,309,533	29,169,594	100.00	26,341,978	24,249,301	100.00
Total investments	$133,284,281	$132,276,293	100.00	$138,878,778	$127,189,554	100.00

UNIVERSITY OF WINNIPEG TRUSTEED PENSION PLAN

Statement of Financial Position by Segment

December 31, 2011

	Defined Benefit Segment	Defined Contribution Segment	Total
Assets			
Cash	$1,943,222	-	$1,943,222
Contributions receivable:			
Members	56,338	-	56,338
University	71,734	-	71,734
Investment income receivable	93,833	-	93,833
Investments (schedule A)	105,974,748	27,309,533	133,284,281
	108,139,875	27,309,533	135,449,408
Liabilities			
Accounts payable and accrued liabilities	157,751	6,000	163,751
Due to University of Winnipeg	105,837	(6,000)	99,837
	263,588	-	263,588
Net Assets Available for Benefits	107,876,287	27,309,533	135,185,820
Obligations for Pension Benefits	143,576,000	27,309,533	170,885,533
Deficiency of Net Assets Available for Benefits over Obligations for Pension Benefits	($35,699,713)	$ -	($35,699,713)

UNIVERSITY OF WINNIPEG TRUSTEED PENSION PLAN

Changes in Net Assets Available for Benefits by Segment

Year ended December 31, 2011

	Defined Benefit Segment	Defined Contribution Segment	Total
Increase (decrease) in assets:			
Contributions			
Members			
Required contributions	$785,478	$1,603,161	$2,388,639
University			
Current service contributions	1,864,369	1,620,873	3,485,242
Special contributions	2,637,000	-	2,637,000
University lump sum contribution	-	-	-
Transfers from other plans	-	72,741	72,741
Investment income	4,827,748	1,187,605	6,015,353
Current period change in fair value of Investments	(6,711,338)	(3,952,739)	(10,664,077)
Net realized gain on sale of investments	1,262,918	2,384,011	3,646,929
	4,666,175	2,915,652	7,581,827
Decrease in assets:			
Benefits paid			
Retirement benefit payments	6,659,993	-	6,659,993
Termination benefit payments	842,444	1,948,097	2,790,541
Death benefit payments	1,634,462	-	1,634,462
Surplus distribution payments	4,773	-	4,773
Administrative expenses:			
Investment managers' fees	398,867	-	398,867
Actuarial fees	144,158	-	144,158
Administrator's fees	25,137	-	25,137
Custodial fees	45,428	-	45,428
Audit fees	14,448	-	14,448
Other expenses (note 9)	92,516	-	92,516
	720,554	-	720,554
	9,862,226	1,948,097	11,810,323
Net increase (decrease) in assets available for benefits	(5,196,051)	967,555	(4,228,496)
Net assets available for benefits, beginning of year	113,072,338	26,341,978	139,414,316
Net assets available for benefits, end of year	$107,876,287	$27,309,533	$135,185,820

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:

The Plan adopted Canadian accounting standards for pension plans on January 1, 2011 with a transition date of January 1, 2010. Canadian accounting standards for pension plans requires the Plan, in selecting or changing accounting policies that do not relate to its investment portfolio or pension obligations, to comply on a consistent basis with either International Financial Reporting Standards (IFRS) or Canadian accounting standards for private enterprises (ASPE). The Plan has chosen to comply on a consistent basis with ASPE.

The statement of financial position was revised to include obligations for pension benefits and the resulting deficiency. A statement of changes in obligations for pension benefits was also added, which details the changes in the obligations for pension benefits. There were no adjustments to the previously reported amounts as a result of implementing these changes.

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.

(ii) Continuity of operations:

In accordance with the *Pension Benefits Act*, an actuarial valuation is required at least every three years. An actuarial valuation of the defined benefit segment of the Plan was completed as at December 31, 2010.

The actuarial valuation at December 31, 2010 reported that the defined benefit segment of the Plan had a solvency deficiency of $37,097,000 at that date.

The University would normally be required under the *Pension Benefits Act* to make additional contributions to amortize the solvency deficiency over a five year period. However, the Provincial Government has provided universities in Manitoba with an opportunity to be permanently exempted from the usual solvency funding requirements while the Plan continues on a going concern basis. The University Pension Plans Exemption Regulation (Regulation 141/2007) was registered October 15, 2007. In February 2008, the Manitoba Pension Commission provided the University with confirmation of a permanent exemption from meeting the solvency funding requirements.

2. Significant accounting policies (continued):

As part of the discussions with government in the period leading up to the exemption, it was agreed that the annual funding requirement for the going concern deficiency identified in the 2004 valuation be maintained until the deficiency is eliminated. The going concern deficiency at December 31, 2004 was $3,746,000 and the annual funding payments are $386,000. While the remaining going concern deficiency declined to $2,384,000 at December 31, 2007, the University continued to make annual contributions of $386,000.

A full actuarial valuation of the Plan as at December 31, 2010 was completed in 2011. This valuation established a new going concern unfunded liability of $25,377,000 with annual special payments of $2,637,000 required to amortize the deficiency over 15 years starting January 1, 2011. The next actuarial valuation of the Plan is required as at December 31, 2011 and will be completed during 2012.

(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:

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

The Plan has categorized its assets and liabilities that are carried at fair value on a recurring basis, based on priority of the inputs to the valuation techniques used to measure fair value, into three level fair value hierarchy. Financial assets and liabilities measured at fair value are categorized as follows:

Level 1: Fair value is based on unadjusted quoted prices in active markets for identical unrestricted assets or liabilities.

Level 2: Fair value is based on quoted prices for similar assets and liabilities in active markets, valuation that is based on significant observable inputs or inputs that are derived principally for or corroborated with observable market data through correlation of other means.

Level 3: Fair value is based on valuation techniques that require one or more significant unobservable inputs or the use of broker quotes. These unobservable inputs reflect the Plan's assumptions about the market participants would use in pricing assets or liabilities.

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

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

(e) Investment income:

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

2. **Significant accounting policies (continued):**

(f) Foreign currency translation:

The fair values of foreign currency denominated investments included in the statement of financial position are translated into Canadian dollars at year end rates of exchange. Gains and losses arising from translations are included in the change in fair value of investments.

Foreign currency denominated transactions, as well as cost amounts included in schedule A to the financial statements are translated into Canadian dollars at the rates of exchange in effect on the dates of the related transactions.

(g) Transaction costs:

Transaction costs are incremental costs directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. Actual transaction costs incurred are expensed and included in net realized gains or losses.

(h) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

(i) Fair value of other financial assets and financial liabilities:

The carrying values of all other financial assets and liabilities approximate their fair market values due to the short term nature of these amounts.

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 $6,353,010 ($5,786,990 - 2010) with maturity dates varying from 2013 to 2108 and interest rates varying from 4.59% to 9.98% (3.30% to 9.98% - 2010) and pooled fixed income funds of $46,528,549 ($46,867,161 - 2010). 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).

4. Risk management (continued):

(b) Credit risk

The Plan is exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due.

(c) Liquidity risk

Liquidity risk is the possibility that investments in the Plan cannot be readily converted into cash when required. The Plan may be subject to liquidity constraints because of insufficient volume in the markets for the securities of the Plan or the securities may be subject to legal or contractual restrictions on their resale.

Defined Benefit

(a) Market risk

(i) Interest rate risk

The Plan's exposure to interest rate risk is concentrated in its investments in bonds, debentures, short-term notes and deposits. To manage the Plan's interest rate risk, appropriate guidelines on the weighting and duration for fixed income investments are set and monitored by the Board of Trustees. As at December 31, 2011, 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 $3,062,000 ($3,083,000 - 2010). 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.

4. Risk management (continued):

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

As at December 31, 2011	Actual currency exposure	%
Canadian	$87,873,200	82.9%
US dollar	8,723,136	8.2%
Euro	2,020,713	1.9%
Japanese yen	1,828,373	1.7%
British pound sterling	1,626,102	1.5%
Swiss franc	1,267,286	1.2%
Other currencies	2,635,938	2.6%
	$105,974,748	100.0%

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	2,929,793	2.6%
	$112,536,800	100.0%

4. Risk management (continued):

A 10 percent increase or decrease in exchange rates, with all other factors held constant would result in a change in unrealized gains (losses) of approximately $1,810,000 ($2,028,000 - 2010) as at December 31, 2011.

(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, 2011, 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 $5,249,000 ($5,988,000 - 2010).

(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:

	2011	2010
Credit Rating		
AAA	$24,981,287	$25,125,411
AA	7,849,162	6,750,757
A	14,595,128	16,597,335
B - BBB	5,455,982	4,180,648
	$52,881,559	$52,654,151

4. Risk management (continued):

(c) Liquidity risk

Liquidity risk is managed by investing the majority of the Plan's assets in investments that are traded in an active market and can be readily disposed.

The table below summarizes the market value by the earliest contractual maturity of the Plan's fixed income investments:

	2011	2010
Less than one year	$4,360,918	$4,571,897
One to five years	19,957,577	17,809,988
After five years	28,563,064	30,272,266
Total fair value	$52,881,559	$52,654,151

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:

4. Risk management (continued):

Fund Name	Fair Value 2011	Fair Value 2010	Credit Risk	Currency Risk	Interest Rate Risk	Liquidity Risk	Other Price Risk
B.G. Balanced Fund	1,547,253	439,791	X	X	X	X	X
B.G. Global Fund	7,944	1,522		X			X
B.G. Income Fund	2,194,656	325,075	X	X	X	X	X
B.G. American Equity	391,293	42,454		X			X
BLK Active Canadian Eq.	1,764,555	158,703					X
Bonavista Balanced	1,685,207	201,809	X	X	X		X
CC&L Group Bond Fund	–	526,272	X	X	X		X
CC&L Grp Balanced Plus	–	1,581,506	X	X	X		X
CC&L Grp Cdn Equity Fund	–	329,987					X
Fidelity Global	–	281,526	X	X	X	X	X
Fidelity True North Fund	–	1,669,880	X	X	X	X	X
JF Canadian Equity Fund C	881,208	308,511					X
LM Western Asset Income	–	329,153	X		X		X
MB Bal Growth Fund C	–	1,280,711		X			X
MB Canadian Equity	102,025	29,418					X
MB Cdn Eq Growth Fund C	–	1,024,672					X
MB Fixed Income Fund	–	420,606			X		
MB Global Equity Fund	275,917	232,468		X			X
MB Lifeplan 2015	746,091	144,992		X			X
MB Lifeplan 2020	1,287,184	701,448		X			X
MB Lifeplan 2025	955,732	84,030		X			X
MB Lifeplan 2030	629,462	26,563		X			X
MB Lifeplan 2035	369,125	43,021		X			X
MB Lifeplan 2040	295,750	9,145		X			X
MB Lifeplan 2045	54,961	1,332		X			X
MB Lifeplan 2050	14,995	–		X			X
MB Lifeplan Retiree	651,464	–		X			X
MB Responsible Balanced	383,707	–		X			X
MB Responsible Cdn. Equity	214,757	–					X
MB Responsible Global Eq.	89,325	–		X			X
MB Select Balanced Fund	–	332,988		X			X
MB Select Cdn Equity Fund	–	306,689					X
MB Select Global Equity	–	130,163		X			X
MFS Global Equity	550,263	105,853		X		X	X
RSL LP Bal Growth Port Class A	–	1,383,117	X	X	X		X
RSL LP Bal Inc Port Class A	–	1,105,151	X	X	X		X
RSL LP Bal Lt Gwth Port Class A	–	1,560,920	X	X	X		X
RSL Ovrs Equity Fund Class A	–	126,065		X			X
SLA 5Yr Guaranteed Fund	323,172	69,060	X		X	X	X
SLF Money Market	1,471,317	981,735			X		
TDAM Balanced Index Fund	8,452,205	7,673,877	X	X	X	X	X
TDAM Cdn Bond Index Fund	878,472	693,559	X		X		X
TDAM Cdn Equity Index Fund	848,645	921,755					X
TDAM Global Equity Index	41,852	25,768		X		X	X
TDAM US Mkt Index Fund	200,996	144,010		X			X
Trimark Fund C	–	187,512		X			X
UBS Canadian Equity	–	57,101					X
UBS US Equity Fund	–	342,060		X			X
	27,309,533	26,341,978					

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, 2010 by Eckler Ltd., a firm of consulting actuaries. The results were extrapolated by them to December 31, 2011. 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 are provided in the financial statements (Statement III).

Experience gains and losses of the Plan in 2010 is the net increase in pension obligation resulting from outstanding surplus distributions. The amount of $215,000 is the net difference of the lump University contribution for surplus distribution into the Plan in 2010 ($8,775,827) and surplus distribution payments in 2010 ($8,563,941), adjusted for interest to December 31, 2010. The total amount of outstanding surplus distributions as at December 31, 2011, adjusted for interest, is approximately $221,000.

The actuarial loss in 2011 was measured as the impact of changes in membership, including the impact of salary changes, between the previous actuarial valuation as at December 31, 2007 and the actuarial valuation as at December 31, 2010.

The impact of amendments to the Plan in 2011 is the net effect on the financial position of the Plan from changes to the Pension Benefits Act of Manitoba effective May 31, 2010 and an amendment to the interest rate credited to member contributions. These were reflected in the actuarial valuation of the Plan as at December 31, 2010.

The Plan provides that a pension increase in respect of a year is effective July 1 of the following year and is equal to the excess of the four year average rate of return of the fund, over 6%, subject to a maximum of the increase in the CPI in that year. The four year average rate of return for the period ending December 31, 2011 was less than 6%, therefore, there was no excess rate of return, and no pension increase in respect of 2011.

Similarly, there was no increase in respect of 2010.

5. Obligation for pension benefits (continued):

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

	2011	2010
Market value of net assets	$107,876,000	$113,074,000

The economic assumptions used in determining the actuarial value of accrued benefits were changed for the extrapolation to December 31, 2011 and were developed by reference to expected long-term market conditions. Significant actuarial assumptions used in the valuation were:

	2011	2010
Rate of return on investments	5.6%	5.25%
Post-retirement pension increases	0.5%	0.5%
Rate of salary increase	• 3.4% per year, plus merit, if applicable	• 2009: 2.5% • Following 2009: 3.4% per year, plus merit, if applicable

* Salaries are assumed to increase in accordance with general wage increases in Canada at the rate of 3.4% per year for all members. Salaries for academic plan members are assumed to increase by an additional merit and promotion component in accordance with the following table:

Age	Average Annual Increase over next 5 years	Average Annual Increase To age 65
30	3.3%	2.3%
35	2.8%	2.2%
40	2.5%	2.0%
45	2.2%	1.9%
50	2.0%	1.8%
55	1.8%	1.7%
60	1.7%	1.7%

(b) Defined contribution obligation:

The obligation for pension benefits under the defined contribution segment will always be equal to the net assets in each member's account. Therefore, no surplus or deficiency arises from fluctuations in the investment market.

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. See note 2(c) for a discussion of the Plan's policies regarding this hierarchy. The following fair value hierarchy table presents information about the Plan's investments measured at fair value as at December 31, 2011. There have been no transfers between levels during 2011 or 2010.

	Investments at Fair Value as at December 31, 2011			
	Level 1	Level 2	Level 3	Total
Fixed Income	-	52,881,559	-	52,881,559
Canadian Equities	34,322,083	66,160	-	34,388,243
U.S. Equities	8,723,136	-	-	8,723,136
International Equities	9,378,412	-	-	9,378,412
Short-Term	603,398	-	-	603,398
Defined Contribution	-	27,309,533	-	27,309,533
	53,027,029	80,257,252	-	133,284,281

7. Fair value disclosure (continued):

	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

8. Capital disclosures:

The Plan's objective in managing capital is to preserve the net assets available for pension benefits for its membership. The Board of Trustees is responsible for all aspects of the operation and administration of the Plan. Managing capital takes into account capital requirements provided in the terms of the respective components of the Plan and applicable legislation within the Manitoba Pension Benefits Act and the Income Tax Act.

The Plan's capital is comprised of the net assets available for benefits. The Plan's risks are defined in Note 4 as are the Board of Trustees risk management strategies. A trust company holds the assets under a Trust Agreement and provides daily administration of the Plan. Professional investment managers administer the portfolio. In regards to the defined contribution component of the Plan, all members make their own investment decisions.

The Statement of Changes in Net Assets Available for Benefits (Statement II) sets out the balances at the beginning and the end of the year.

For the year ended December 31, 2011 and December 31, 2010 there were no changes in capital management strategy, and the Plan has complied with its externally imposed capital requirements.

9. Related party transactions:

The University charges benefit administration costs to the Plan. The cost for 2011 was $52,671 (2010 - $52,671) 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.

10. 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, 2011 approximately $207,000 ($212,000 - 2010) 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.

11. Reclassification of comparative figures:

Certain 2010 comparative figures have been reclassified to conform with the financial statement presentation adopted for 2011.