THE UNIVERSITY OF WINNIPEG TRUSTEED PENSION PLAN

Annual Report and Financial Statements

For the Year Ended December 31, 2012

THE UNIVERSITY OF WINNIPEG
TRUSTEED PENSION PLAN

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the Year Ended December 31, 2012

BOARD OF TRUSTEES

For the Association of Employees Supporting Education Services (AESES):

Barry Barske is a retired Support employee from the Department of Psychology

Greg Gillis is an actuary and CFA Charter holder with extensive pension consulting and investment experience. In his role at Lawton Partners he provides services to a number of public and private sector organizations as well as personal financial planning and investment services to individuals and businesses.

For the International Union of Operating Engineers (IUOE):

Kyle MacDonald, is a Controls Technician in the Physical Plant Department

For the University:

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

Colin Morrison is the General Counsel & Corporate Secretary

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

For the University of Winnipeg Excluded Employees:

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

For the University of Winnipeg Faculty Association (UWFA):

Ed Byard is a Professor in Biology

Hans Werner is a Professor in History, Mennonite Studies

Murray Wiegand is a Professor in Biology

For the University of Winnipeg Retirees Association (UWRA):

Jane Barske is a retired Support employee from the University Library

Judy Graham is a retired Support employee from Student Services

External Trustees:

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

Henry Hudek, MBA, CFA, is the Vice-President, Business Development with Cardinal Capital Investment working directly with the Cardinal advisor network, supporting referring advisors and their clients within Manitoba and across Western Canada.

Ron Youngson is the Director of Group Retirement for Onyx Financial Group, responsible for all phases of new case establishment, including plan design, investment menu selection, member communication and education.

BOARD EXECUTIVE AND BOARD COMMITTEES

Board Executive:

- Henry Hudek (Chair)
- Laurel Repski (Vice-Chair)
- Mike Emslie (Treasurer)
- Mary Anne Walls (Secretary)

Operations Committee:

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

Defined Benefit Committee:

- Greg Gillis (Chair)
- Barry Barske
- Mike Emslie
- Ray Erb
- Judy Graham
- Murray Wiegand

Defined Contribution Committee:

- Kyle Macdonald (Chair)
- Ron Youngson
- Henry Hudek
- Laurel Repski
- Mary Anne Walls

Standing (L-R): Colin Morrison, Ed Byard, Kyle Macdonald, Greg Gillis, Laurel Repski, Ronda Perinot (Recording Secretary) Jane Barske, Judy Graham, Murray Wiegand, Ray Erb, Barry Barske
Sitting (L-R): Ron Youngson, Mary Anne Walls, Henry Hudek, Hans Werner Missing: Mike Emslie

REPORT OF THE CHAIR

The year 2012 was reasonable for most equity markets with no further deterioration in the interest rate environment. This was good news for your Pension Plan assets. The DB portion of the Plan had a positive investment return which resulted in a four-year smoothed investment return in excess of 6%. This triggers a minimal COLA increase in benefits to retired members. For DC members all of the equity funds in the Plan returned positive results for the year, with Canadian equity pools returning about 10%, with US and global equity funds generally exceeding that. Bond and Balanced fund returns were generally positive as well.

This outcome is primarily a result of anxiety over Europe fading and investor memories of the crisis of 2008 gradually receding. When coupled with a modest economic recovery in the US, equity prices are slowly returning to their historic growth pattern.

Your Board of Trustees has revisited the Asset Allocation of the DB assets of the Plan with the assistance of AON Hewitt, and has approved a modestly higher tilt to equities in the allocation. This change is primarily due to concerns about the risks inherent in bonds at a time when Quantitative Easing (QE) at several central banks could soon be reduced. An end or a slowing of QE would likely have the effect of allowing interest rates to rise somewhat which would be good for the DB Plan in that the present value of liabilities would fall, but it is also likely that bond prices would fall as well, particularly longer term bonds. The Trustees have also approved a Plan for moving DB assets back into longer term bonds as rate increases occur. While these steps are expected to be beneficial for the assets of the Plan, DB members should remember that their benefits are payable by the Plan, regardless of investment returns. Improved return on the Plan assets, however, would likely have two beneficial consequences. Firstly it could ease the burden on the University, which last year provided a special contribution of nearly $3.5 million to make up for investment losses in prior years, and secondly, it would increase the likelihood of more meaningful and frequent COLA increases in benefits for DB members in years going forward.

The DB Committee is continuing to review its investment managers with a view to maintaining performance and reducing fees, while the DC Committee is initiating a review of Sun Life and other service providers to ensure the Plan is receiving effective value at competitive costs. We continue to strive to give Plan members the best possible option for building their retirement portfolios.

Henry Hudek
(Chair)

OPERATIONS COMMITTEE REPORT

The Operations Committee's primary responsibilities lie in the area of governance of the University of Winnipeg Trusteed Pension Plan. In accordance with this mandate the Committee serves as the Audit Committee for the Plan. The committee met with KPMG, the Plan's auditors to review the audit plan and to discuss audit outcomes and any issues that arose. The Committee was satisfied that the audit was thorough with no substantive issues that required the Board's attention. The Committee recommended the appointment of KPMG as auditors for the next year.

Together with the Treasurer, the Operations Committee prepared an operating budget for the Plan. This budget sets out the projected expenses for the Plan's administration such as the various professional fees and the costs of Board education. This year the Committee initiated a review of the Plan Services Agreement, which sets out in detail the various services provided to the Plan by the University. The agreement was then forwarded to the University for its review.

It is also the responsibility of the Operations Committee to assist Trustees in providing good governance for the Plan. The Committee began an evaluation of the Board's work using the Canadian Association of Pension Supervisory Authorities (CAPSA) guidelines to make sure there were no gaps in our governance practices. These guidelines are comprehensive and are intended to make sure the Plan is being governed in a prudent manner and in accordance with applicable legislation. The Committee works with Board of Trustee members to identify gaps in their knowledge of the complex world of Pensions. This year the orientation package was revised and the Committee organized a workshop on investments.

The Operations Committee works very directly with Mary Anne Walls, Manager of Campus Health and Wellness and thanks her for her diligent service to the Pension Plan.

Hans Werner
(Chair)

DEFINED BENEFITS COMMITTEE REPORT

Over the past year the Defined Benefit (DB) Committee has been focused on evaluating the mix and management of the plan assets in the DB component of the Plan. This process should be performed periodically to ensure that the investment strategy is consistent with the needs of the Plan. The Investment Policy had not been formally reviewed since the implementation of the Independent Board of Trustees.

The committee issued a request for proposals for an investment advisor to lead the review. We received four responses and the Board approved the selection of AON Hewitt.

AON Hewitt provided an analysis of the expected cash flows from the Plan, the risks and rates of returns in different asset classes, and led a series of meetings with the entire Board to identify the optimal investment mix for the Plan. As a result, early in 2013 the Board approved a new Investment Policy which sees the introduction of Real Estate assets and Emerging Market Equities to supplement the existing investments in Global and Canadian Equities and Fixed Income instruments.

With interest rates at historical lows the new policy decreases the allocation of assets to fixed income from 45% to 25% but introduces a process which will see the allocation to fixed income assets increase as the funding status of the Plan improves over time. The new Policy also introduces a process to move the fixed-income investments from universe bonds to long-bonds over time as interest rates increase. Long-bonds are better correlated with the liabilities of the Plan than universe bonds, and therefore reduce funding risk.

The DB committee is now initiating the implementation of the new Policy which will involve identifying and hiring managers for the new investment mandates and determining if the existing investment managers are the right choice to deliver on their revised mandates.

Greg Gillis
(Chair)

DEFINED CONTRIBUTIONS COMMITTEE REPORT

2012 was a strong year for investors in the University of Winnipeg Defined Contribution component of the University Pension Plan. Despite global economic concerns such as the European debt crisis and the U.S. "fiscal cliff" members' investment options showed generally positive returns for the year.

The Committee has made no changes to the current funds available to DC members and will continue in 2013 to monitor and review fund options. As part of a larger process we are commencing a DC service provider review to ensure that Plan members have access to the best possible services and have access to solid institutional funds. Any information or changes on this item will be communicated at a later date.

During our review of investment allocation we found that a large portion of DC members are invested in the default fund (previous default fund and current). When you join the DC plan and do not make an active fund selection you are automatically enrolled into a target date fund that is closest to your anticipated retirement date. Individual investment strategies should reflect your personal savings goals and your tolerance for financial risk. We want to ensure Plan members are actively choosing and monitoring their selection and not just going with the default fund – you have a choice!

Attention DC Members

Currently all DC members receive a semi-annual statement sent directly to their home detailing the contributions made by you and the University. In an effort to reduce paper waste and to be consistent with the University's and Sun Life's sustainability philosophy, effective this year, **there will only be one hard copy statement mailed out annually at the end of the calendar year.** As a reminder, at any time you can access your detailed account information and print a statement through the Sun Life website (www.mysunlife.ca) or by calling their customer care line at 1-866-733-8612.

As a DC member, you are responsible for your investment selections and the periodic review of your portfolio. You have several options for building an individual investment portfolio to achieve your retirement savings goals and you have total discretion on how your contributions are invested. While these selections can be overwhelming, there are a plethora of tools and services available for your use. As a DC member you are already paying for these services so it makes sense to utilize them often. Do you know what type of investor you are? If not, please complete your Investment Risk Profile on the Sun Life website (www.mysunlife.ca, located in the "my money" guide). By being an active participant in your investment selections you can maximize your benefits.

In addition to the Sun Life web tools, Plan members have the option of attending yearly DC education sessions. Sun Life has offered education sessions for new members, website tool use, investment allocation, pre-retirement information as well as one-on-one consulting sessions with a Financial Advisor. Attendance at the group sessions has been lower than expected but the feedback received from Plan members in attendance was positive. Please make it a priority to attend one or more training sessions in the New Year as they are beneficial to anyone involved in the DC plan; while we cannot guarantee your entertainment, they will provide you with a fundamental investment education on your road to retirement.

Kyle Macdonald
(Chair)

REPORT OF THE TREASURER

Overview:

This report provides a summary of the financial performance of the University of Winnipeg Trusteed Pension Plan for the year ended December 31, 2012, including:

- A brief description of the Plan
- Summary of changes in membership
- Discussion of the change in asset values

The Plan:

The University of Winnipeg Trusteed Pension Plan has two distinct components: the Defined Benefit (DB) component which is closed to new members, and the Defined Contribution (DC) component, established January 1, 2000 which all new employees join upon becoming eligible.

The DB component is intended to provide members with a monthly benefit upon retirement. The benefit is calculated using a prescribed formula that takes into account:

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

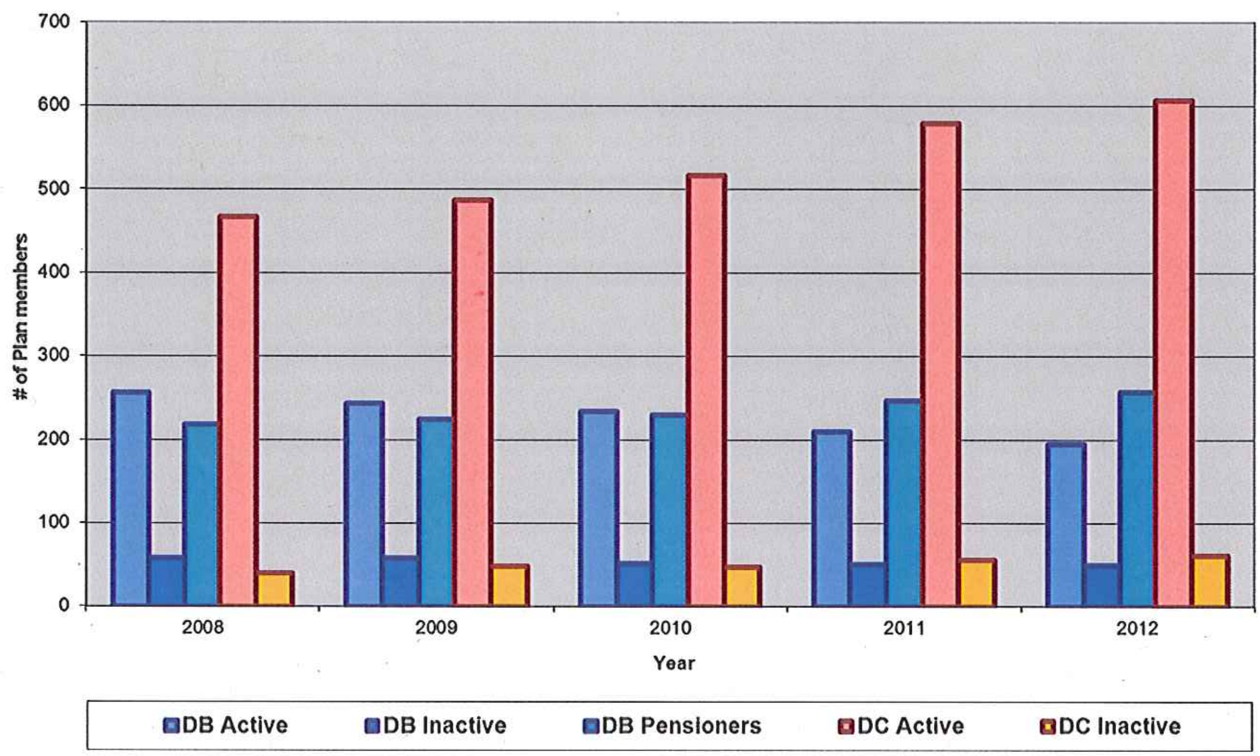
The formula pension is subject to a Plan benefit maximum of $1,722.22 per year of pensionable service, according to the current Plan provisions. Retirement options include a choice of monthly pension from a variety of payment options, or a transfer of the Commuted Value to a LIRA (Locked-In Retirement Account) or a LIF (Life Income Fund). The DB pension benefit is funded by member and University contributions and investment earnings.

The DC component is intended to provide members with a pension benefit upon retirement that is based on contributions made by the member and the University into a range of investment choices provided through Sun Life Financial. The combination of the contributions and investment earnings provide Plan members with a lump sum value that can be transferred into another registered retirement investment vehicle, or invested through Sun Life to provide a monthly pension benefit.

For additional information relating to the University of Winnipeg Trusteed Pension Plan please go to http://www.uwinnipeg.ca/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.

Pension Plan Members by Type



Financial Results

The 2012 financial statements were prepared according with new CICA accounting standards for Pension Plans.

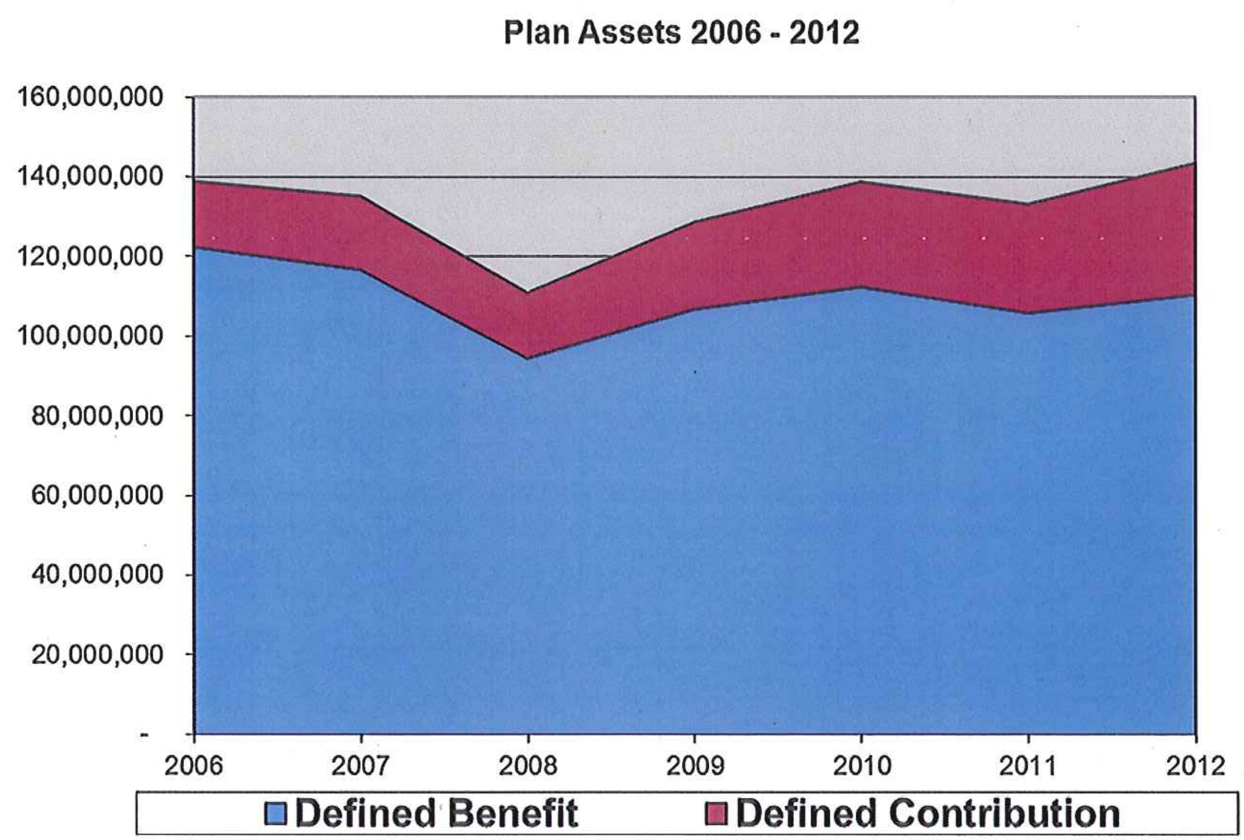
The returns on Plan assets for 2012 were positive; when combined with increased contributions by the University and Plan members, the net assets of the Plan at December 31, 2012 increased by $11.6 million to $146.8 million from 135.2 million at December 31, 2011.

The net return for 2012 on the Defined Benefit component, based on market value and net of expenses, was 7.51% (as compared to a loss of 1.19% for 2011). According to the smoothing calculation, which is a geometric average of returns over a four year period, the return on the fund was 8.28% (as compared to 2.23% for 2011).

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 2012 was 8.28%, a cost of living increase of 0.83% (the change in the Consumer Price Index from December 2011 to December 2012) will be payable effective July 1, 2013.

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 seven 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, 2011.

As the DB pension fund is below 90% funded on a solvency basis, it is subject to annual actuarial reviews. According to the most recent valuation, the Plan's unfunded liability position increased at December 31, 2011 which required the University to further increase its special funding payments for the period starting January 1, 2012. The increase in the unfunded liability is the result of lower than anticipated investment returns in 2011.

The December 31, 2010 valuation resulted in a significant increase in the liability from the 2007 valuation due to investment returns not meeting expectations 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.

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. Member contributions increased in 2012 and again in 2013 as a result of the implementation of recently approved collective agreements.

The University also made required additional contributions to the DB component in 2012 of $4.1 million. This is made up of $355,000 to fund a current service shortfall (the cost of DB benefits earned by active DB members in 2012 were $355,000 higher than the member and University's basic contributions for the year, that difference was made up by additional contributions from the University), $250,000 to pay for administrative expenses, and $3,482,000 to address the "going-concern" actuarial valuation deficiency for 2012. 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 2012 Financial Statements received an unqualified audit opinion from KPMG, an independent audit firm appointed by the Board of Trustees.

The following table summarizes the non-investment related transactions of the Plan

Contributions	2010	2011	2012
DB Member	852,196	785,478	873,936
DB University	1,745,399	4,501,369	5,160,859
DC Member	1,506,344	1,603,161	2,020,518
DC University	1,520,145	1,620,873	2,033,904
	5,624,084	8,510,881	10,089,217

Distributions	2010	2011	2012
DB Pensioners	6,219,149	6,659,993	7,214,854
DB Refunds & Transfers	1,866,029	2,476,906	917,849
DC Refunds & Transfers	1,141,792	1,948,097	632,782
DB Investment Manager Fees	399,344	398,867	392,836
DB Actuarial Fees	82,432	144,158	83,863
DB Custodial Fees	52,309	45,428	44,903
DB/DC Administration Fees	37,098	25,137	41,151
DB/DC Other Expenses	122,225	106,964	96,421
	9,920,378	11,805,550	9,424,659

Benefit Payments:

Benefit payments to DB pensioners increased by $554,861, while refunds and transfers paid to DB and DC members who left the University and commuted their pension benefits decreased by $2,874,372. Overall, Plan expenses remained fairly steady. The 2010 actuarial valuation was the first valuation in three years and involved many changes to estimates so the cost in 2011 were higher than normal. The 2011 actuarial valuation required less time and therefore the cost declined for 2012.

DC Fund Asset Mix

The Defined Contribution component of the Plan is a member directed investment plan administered through Sun Life financial.

The following table summarizes the percentage of assets invested in each fund offered by the Plan as at December 31, 2012.

Fund Name	%	Fund Name	%
B.G. Balanced Fund	12.4%	MB Responsible Balanced	1.4%
B.G. Global Fund	0.1%	MB Responsible Cdn. Equity	0.8%
B.G. American Equity	2.7%	MB Responsible Global Research	0.3%
BLK Active Canadian Eq.	6.0%	SLA Universe Bond Fund	6.2%
JF Canadian Equity Fund C	3.2%	SLA 5Yr Guaranteed Fund	1.1%
MB Cdn Equity Core Fund	0.4%	SLF Money Market	4.6%
MB Global Research A	1.1%	TDAM Balanced Index Fund	31.2%
MB Global Equity Fund	2.3%	TDAM Cdn Bond Index Fund	3.3%
MB Lifeplan 2015	2.4%	TDAM Cdn Equity Index Fund	3.0%
MB Lifeplan 2020	4.7%	TDAM Global Equity Index	0.2%
MB Lifeplan 2025	3.3%	TDAM US Mkt Index Fund	0.8%
MB Lifeplan 2030	2.5%		
MB Lifeplan 2035	1.7%		
MB Lifeplan 2040	1.4%		
MB Lifeplan 2045	0.6%		
MB Lifeplan 2050	0.1%		
MB Lifeplan Retiree	2.3%		

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

June 11, 2013

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 & Operations

June 22, 2013

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Andrew Kulyk, FSA, FCIA

Writer's Tel 204 988-1572
Email akulyk@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, 2011 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, 2012 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 4, 2013
Date

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

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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 statement of financial position as at December 31, 2012, the statements of changes in net assets available for benefits and changes in obligations for pension benefits for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the 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.

KPMG

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, 2012, and the changes in its net assets available for benefits and the changes in its obligations for pension benefits for the year then ended, in accordance with Canadian accounting standards for pension plans.

KPMG LLP

Chartered Accountants

June 10, 2013

Winnipeg, Canada

UNIVERSITY OF WINNIPEG TRUSTEED PENSION PLAN

Statement of Financial Position

December 31, 2012, with comparative figures for 2011

	2012	2011
Assets		
Cash	$3,302,712	$1,943,222
Contributions receivable:		
Members	64,739	56,338
University	79,147	71,734
Investment income receivable	74,265	93,833
Investments (schedule A)	143,579,486	133,284,281
	$147,100,349	$135,449,408
Liabilities		
Accounts payable and accrued liabilities	$251,861	$163,751
Due to University of Winnipeg	29,711	99,837
	$281,572	$263,588
Net Assets Available for Benefits		
Available for defined contribution obligations	32,997,230	27,309,533
Available for defined benefit obligations	113,821,547	107,876,287
	146,818,777	135,185,820
Obligations for Pension Benefits		
Defined contribution obligations	32,997,230	27,309,533
Actuarial present value of accrued pension benefits	140,614,000	143,576,000
Deficiency of Net Assets Available for Benefits over Obligations for Pension Benefits	($26,792,453)	($35,699,713)

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

Statement of Changes in Net Assets Available for Benefits

Year ended December 31, 2012, with comparative figures for 2011
(see schedule C)

	2012	2011
Increase (decrease) in assets:		
Contributions (note 6):		
Members		
Required contributions	$2,894,454	$2,388,639
University		
Current service contributions	3,712,381	3,485,242
Special contributions	3,482,382	2,637,000
Transfers from other plans	11,961	72,741
Investment income	5,881,238	6,015,353
Current period change in fair value of investments	4,432,257	(10,664,077)
Net realized gain on sale of investments	642,943	3,646,929
	21,057,616	7,581,827
Decrease in assets:		
Benefits paid		
Retirement benefit payments	7,214,854	6,659,993
Termination benefit payments	1,550,631	2,790,541
Death benefit payments	-	1,634,462
Surplus distribution payments	-	4,773
Administrative expenses:		
Investment managers' fees	392,836	398,867
Actuarial fees	83,863	144,158
Administrator's fees	41,151	25,137
Custodial fees	44,903	45,428
Audit fees	17,696	14,448
Other expenses (note 9)	78,725	92,516
	659,174	720,554
	9,424,659	11,810,323
Net increase (decrease) in assets available for benefits	11,632,957	(4,228,496)
Net assets available for benefits, beginning of year	135,185,820	139,414,316
Net assets available for benefits, end of year	$146,818,777	$135,185,820

See accompanying notes to financial statements.

STATEMENT III

UNIVERSITY OF WINNIPEG TRUSTEED PENSION PLAN

Statement of Changes in Obligations for Pension Benefits

Year ended December 31, 2012, with comparative figures for 2011

	2012			2011		
	Defined Benefit Segment	Defined Contribution Segment	Total	Defined Benefit Segment	Defined Contribution Segment	Total
OBLIGATIONS FOR PENSION BENEFITS, BEGINNING OF YEAR	$143,576,000	$27,309,533	$170,885,533	$135,205,000	$26,341,978	$161,546,978
Interest accrued on benefits	7,891,000	-	7,891,000	6,921,000	-	6,921,000
Amendments to the Plan	-	-	-	3,263,000	-	3,263,000
Net investment return (loss)	-	2,254,096	2,254,096	-	(381,123)	(381,123)
Experience gains and losses	(1,283,000)	-	(1,283,000)	1,325,000	-	1,325,000
Contributions and transfers in	-	4,066,383	4,066,383	-	3,296,775	3,296,775
Benefits accrued	2,784,000	-	2,784,000	2,375,000	-	2,375,000
Benefits paid, refunds and transfers	(8,133,000)	(632,782)	(8,765,782)	(9,142,000)	(1,948,097)	(11,090,097)
Actuarial (gain) loss	(4,221,000)	-	(4,221,000)	3,629,000	-	3,629,000
OBLIGATIONS FOR PENSION BENEFITS, END OF YEAR	$140,614,000	$32,997,230	$173,611,230	$143,576,000	$27,309,533	$170,885,533

UNIVERSITY OF WINNIPEG TRUSTEED PENSION PLAN

Summary of Investments

December 31, 2012, with comparative figures for 2011

	2012			2011		
	Fair value	Cost	% Fair value	Fair value	Cost	% Fair Value
Defined benefit:						
Fixed income	$50,872,415	$48,290,783	46.00	$52,881,559	$49,406,344	49.90
Canadian equities	37,091,468	33,692,060	33.54	34,388,243	33,248,743	32.45
U.S. equities	8,843,479	8,911,915	8.00	8,723,136	9,566,492	8.23
International equities	10,261,150	10,340,438	9.28	9,378,412	10,285,120	8.85
Short-term	3,513,744	3,487,992	3.18	603,398	600,000	0.57
	110,582,256	104,723,188	100.00	105,974,748	103,106,699	100.00
Defined contribution	32,997,230	33,403,703	100.00	27,309,533	29,169,594	100.00
Total investments	$143,579,486	$138,126,891	100.00	$133,284,281	$132,276,293	100.00

UNIVERSITY OF WINNIPEG TRUSTEED PENSION PLAN

Statement of Financial Position by Segment

December 31, 2012

	Defined Benefit Segment	Defined Contribution Segment	Total
Assets			
Cash	$3,302,712	-	$3,302,712
Contributions receivable:			
Members	64,739	-	64,739
University	79,147	-	79,147
Investment income receivable	74,265	-	74,265
Investments (schedule A)	110,582,256	32,997,230	143,579,486
	114,103,119	32,997,230	147,100,349
Liabilities			
Accounts payable and accrued liabilities	245,861	6,000	251,861
Due to University of Winnipeg	35,711	(6,000)	29,711
	281,572	-	281,572
Net Assets Available for Benefits	113,821,547	32,997,230	146,818,777
Obligations for Pension Benefits	140,614,000	32,997,230	173,611,230
Deficiency of Net Assets Available for Benefits over Obligations for Pension Benefits	($26,792,453)	$ -	($26,792,453)

UNIVERSITY OF WINNIPEG TRUSTEED PENSION PLAN

Changes in Net Assets Available for Benefits by Segment

Year ended December 31, 2012

	Defined Benefit Segment	Defined Contribution Segment	Total
Increase (decrease) in assets:			
Contributions			
Members			
Required contributions	$873,936	$2,020,518	$2,894,454
University			
Current service contributions	1,678,477	2,033,904	3,712,381
Special contributions	3,482,382	-	3,482,382
Transfers from other plans	-	11,961	11,961
Investment income	4,846,265	1,034,973	5,881,238
Current period change in fair value of Investments	2,978,669	1,453,588	4,432,257
Net realized gain on sale of investments	877,408	(234,465)	642,943
	14,737,137	6,320,479	21,057,616
Decrease in assets:			
Benefits paid			
Retirement benefit payments	7,214,854	-	7,214,854
Termination benefit payments	917,849	632,782	1,550,631
Administrative expenses:			
Investment managers' fees	392,836	-	392,836
Actuarial fees	83,863	-	83,863
Administrator's fees	41,151	-	41,151
Custodial fees	44,903	-	44,903
Audit fees	17,696	-	17,696
Other expenses (note 9)	78,725	-	78,725
	659,174	-	659,174
	8,791,877	632,782	9,424,659
Net increase in assets available for benefits	5,945,260	5,687,697	11,632,957
Net assets available for benefits, beginning of year	107,876,287	27,309,533	135,185,820
Net assets available for benefits, end of year	$113,821,547	$32,997,230	$146,818,777

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 follows Canadian accounting standards for pension plan for accounting policies related to its investment portfolio and pension obligations. In selecting or changing accounting policies that do not relate to its investment portfolio or pension obligations, the Plan complies on a consistent basis with Canadian accounting standards for private enterprises.

These financial statements are prepared on the going concern basis and present the aggregate financial position of the Plan as a separate financial reporting entity. Only the net assets of the Plan and obligations to the members eligible to participate in the Plan have been included in these financial statements. These financial statements do not portray the funding requirements of the Plan or the security of benefits of individual Plan members.

(ii) Continuity of operations:

In accordance with the *Pension Benefits Act*, an actuarial valuation is required at least every three years. An actuarial valuation of the defined benefit segment of the Plan was completed as at December 31, 2011.

The actuarial valuation at December 31, 2011 reported that the defined benefit segment of the Plan had a solvency deficiency of $46,775,000 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, 2011 was completed in 2012. This valuation established a new going concern unfunded liability of $30,419,000 with annual special payments of $3,259,000 required to amortize the deficiency over 15 years starting January 1, 2012. The next actuarial valuation of the Plan is required as at December 31, 2012 and will be completed during 2013.

(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 $6,974,213 ($6,353,010 - 2011) with maturity dates varying from 2015 to 2108 and interest rates varying from 4.60% to 9.98% (4.59% to 9.98% - 2011) and pooled fixed income funds of $43,898,202 ($46,528,549 - 2011). 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, 2012, 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 $3,075,000 ($3,062,000 - 2011). 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, 2012	Actual currency exposure	%
Canadian	$91,477,627	82.6%
US dollar	8,843,479	8.0%
Euro	2,280,761	2.1%
Japanese yen	1,877,461	1.7%
British pound sterling	1,739,005	1.6%
Swiss franc	1,319,142	1.2%
Other currencies	3,044,781	2.8%
	$110,582,256	100.0%

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%

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 $1,947,000 ($1,810,000 - 2011) as at December 31, 2012.

(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, 2012, 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 $5,620,000 ($5,249,000 - 2011).

(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:

	2012	2011
Credit Rating		
AAA	$21,491,692	$24,981,287
AA	8,535,510	7,849,162
A	16,651,517	14,595,128
B - BBB	4,193,696	5,455,982
	$50,872,415	$52,881,559

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:

	2012	2011
Less than one year	$1,043,463	$4,360,918
One to five years	23,349,425	19,957,577
After five years	26,479,527	28,563,064
Total fair value	$50,872,415	$52,881,559

Defined Contribution

Investment allocation for the Defined Contribution Segment of the plan is directed by individual plan members to a series of investment funds. The funds may be exposed to a variety of financial risks. Each of the fund's exposures to financial risks is concentrated in its investment holdings and is managed by the respective Fund Managers. The risk management process for each Fund Manager includes the monitoring of compliance to the fund's investment policies and objectives. It is the responsibility of each Fund Manager to manage the potential effects of these financial risks on the fund's performance by regularly monitoring the fund's positions, market events and making adjustments to the fund as necessary to diversify investment portfolios within the constraints of the investment guidelines. The following is a list of the potential risks individual funds may be exposed to:

4. Risk management (continued):

Fund Name	Fair Value 2012	Fair Value 2011	Credit Risk	Currency Risk	Interest Rate Risk	Liquidity Risk	Other Price Risk
B.G. Balanced Fund	4,107,951	1,547,253	X	X	X		X
B.G. Global Fund	23,474	7,944		X			X
B.G. Income Fund	–	2,194,656	X	X	X	X	
B.G. American Equity	896,346	391,293		X			X
BLK Active Canadian Eq.	1,968,506	1,764,555					X
Bonavista Balanced	–	1,685,207	X	X	X	X	X
JF Canadian Equity Fund C	1,064,360	881,208		X			X
MB Cdn Equity Core Fund	133,476	–				X	X
MB Canadian Equity	–	102,025					X
MB Global Research A	351,369	–	X	X	X	X	X
MB Global Equity Fund	745,795	275,917	X	X	X	X	X
MB Lifeplan 2015	800,902	746,091	X	X	X	X	X
MB Lifeplan 2020	1,545,167	1,287,184	X	X	X	X	X
MB Lifeplan 2025	1,081,438	955,732	X	X	X	X	X
MB Lifeplan 2030	826,653	629,462	X	X	X	X	X
MB Lifeplan 2035	553,155	369,125	X	X	X	X	X
MB Lifeplan 2040	468,396	295,750	X	X	X	X	X
MB Lifeplan 2045	203,003	54,961	X	X	X	X	X
MB Lifeplan 2050	38,979	14,995	X	X	X	X	X
MB Lifeplan Retiree	748,143	651,464	X	X	X	X	X
MB Responsible Balanced	448,090	383,707	X	X	X	X	X
MB Responsible Cdn. Equity	270,209	214,757				X	X
MB Responsible Global Research	112,149	89,325		X		X	X
MFS Global Equity	–	550,263		X		X	X
SLA Universe Bond Fund	2,032,616	–	X	X	X	X	X
SLA 5Yr Guaranteed Fund	351,691	323,172	X	X	X	X	X
SLF Money Market	1,517,871	1,471,317	X	X	X		
TDAM Balanced Index Fund	10,284,302	8,452,205	X	X	X	X	X
TDAM Cdn Bond Index Fund	1,101,060	878,472	X		X	X	X
TDAM Cdn Equity Index Fund	996,750	848,645				X	X
TDAM Global Equity Index	55,840	41,852		X		X	X
TDAM US Mkt Index Fund	269,539	200,996		X		X	X
	32,997,230	27,309,533					

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, 2011 by Eckler Ltd., a firm of consulting actuaries. The results were extrapolated by them to December 31, 2012. The extrapolation of the actuarial present value of the pension benefits as at December 31, 2011 and the principal components of changes in actuarial present values during the year are provided in the financial statements (Statement III).

The actuarial gain in 2012 was measured as the impact of changes in membership, including the impact of salary changes, between the previous actuarial valuation as at December 31, 2010 and the actuarial valuation as at December 31, 2011.

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, 2012 was greater than 6%, therefore, a pension increase in respect of 2012 will be provided to retirees effective July 1, 2013 (not less than 0.84%).

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.

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

	2012	2011
Market value of net assets	$113,822,000	$107,876,000

5. Obligation for pension benefits (continued):

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

	2012	2011
Rate of return on investments	5.85%	5.6%
Post-retirement pension increases	0.5%	0.5%
Rate of salary increase	3.0% per year, plus merit, if applicable	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 3.00% per year for all members. Salaries for academic plan members are assumed to increase by an additional merit and promotion component in accordance with the following table:

Age	Average Annual 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, 2012. There have been no transfers between levels during 2012 or 2011.

Investments at Fair Value as at December 31, 2012				
	Level 1	Level 2	Level 3	Total
Fixed Income	-	50,872,415	-	50,872,415
Canadian Equities	37,004,753	86,715	-	37,091,468
U.S. Equities	8,843,479	-	-	8,843,479
International Equities	10,261,150	-	-	10,261,150
Short-Term	3,513,744	-	-	3,513,744
Defined Contribution	-	32,997,230	-	32,997,230
	59,623,126	83,956,360	-	143,579,486

7. Fair value disclosure (continued):

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

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, 2012 and December 31, 2011 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 2012 was nil (2011 - $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, 2012 approximately $202,000 ($207,000 - 2011) 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.