THE UNIVERSITY OF MANITOBA GFT PENSION PLAN (1986)

Independent Auditors' Report and Financial Statements
for the year ended December 31, 2021

University of Manitoba

Pension Office

180 Extended Education Complex
Winnipeg, Manitoba
Canada R3T 2N2
Phone: 204-474-6661
Fax: 204-474-7640
www/umanitoba.ca/pension

THE UNIVERSITY OF MANITOBA GFT PENSION PLAN (1986)

RESPONSIBILITY FOR FINANCIAL REPORTING

The Pension Committee of The University of Manitoba GFT Pension Plan (1986) (Pension Committee) administers the Pension Plan in accordance with *The Pension Benefits Act* of the Province of Manitoba and with provision of the *Income Tax Act* (Canada). The Pension Committee's responsibilities as administrator, includes the integrity, objectivity and preparation of the accompanying financial statements and notes. The financial statements are prepared by management in accordance with Canadian accounting standards for pension plans. The financial statements have been approved by the Pension Committee.

The Pension Committee and management maintain a system of internal control to provide a reasonable assurance that the books and records, from which the financial statements are derived, are complete, accurate and properly reflect all transactions. Independent custodians prepare records of all investment transactions.

KPMG has examined the financial statements and expressed a written opinion.

Cheryl A. Britton
Financial and Investment Analyst

Bernard Gold
Director, Pension Office

May 17, 2022
Winnipeg, Manitoba

KPMG LLP
1900 - 360 Main Street
Winnipeg MB
R3C 3Z3

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

INDEPENDENT AUDITORS' REPORT

To the Legislative Assembly of Manitoba
To the Pension Committee of The University of Manitoba GFT Pension Plan (1986)
To the Board of Governors of The University of Manitoba

Opinion

We have audited the financial statements of The University of Manitoba GFT Pension Plan (1986) (the "Entity"), which comprise the statement of financial position as at December 31, 2021, the statement of changes in net assets available for benefits for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2021, and its changes in net assets available for benefits for the year then ended in accordance with Canadian accounting standards for pension plans.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants

Winnipeg, Canada

May 17, 2022

The University of Manitoba GFT Pension Plan (1986)

Statement of Financial Position
As at December 31, 2021

(in thousands of dollars)	**2021**	2020
Assets		
Investments (Note 3)	**$ 71,634**	$ 65,686
Total Assets	**71,634**	65,686
Liabilities		
Accounts Payable	**117**	102
Total Liabilities	**117**	102
Net Assets Available for Benefits	**71,517**	65,584
Pension Obligations (Note 2e)	**71,517**	65,584
Plan Surplus/(Deficit)	**$ -**	$ -

(The accompanying notes are an integral part of the financial statements)

The University of Manitoba GFT Pension Plan (1986)

Statement of Changes in Net Assets Available for Benefits
For the year ended December 31, 2021

(in thousands of dollars)				**2021**	2020
	Member Regular	Member Voluntary	Employer Regular	**Total**	Total
Increase in Assets					
Contributions	$ -	$ 132	$ 2,240	**$ 2,372**	$ 2,228
Investment income (Note 6)	11	8	1,385	**1,404**	1,347
Current period change in fair value of investments (Note 7)	57	41	7,279	**7,377**	4,621
Death benefits	-	-	-	**-**	44
Total Increase in Assets	68	181	10,904	**11,153**	8,240
Decrease in Assets					
Retirement benefits	225	-	4,309	**4,534**	1,655
Refunds and transfers	-	-	299	**299**	235
Administrative expenses (Note 9)	3	2	382	**387**	354
Total Decrease in Assets	228	2	4,990	**5,220**	2,244
Net Increase/(Decrease) for the Year	(160)	179	5,914	**5,933**	5,996
Net Assets Available for Benefits at the Beginning of the Year	581	273	64,730	**65,584**	59,588
Net Assets Available for Benefits at the End of the Year	$ 421	$ 452	$ 70,644	**$ 71,517**	$ 65,584

(The accompanying notes are an integral part of the financial statements)

THE UNIVERSITY OF MANITOBA GFT PENSION PLAN (1986)

Notes to the Financial Statements
For the year ended December 31, 2021
(in thousands of dollars unless otherwise noted)

1. Description of Plan

General

The University of Manitoba GFT Pension Plan (1986) (the "Plan") is a trusteed plan administered in accordance with *The Pension Benefits Act* of the Province of Manitoba (the "PBA") and with provisions of the *Income Tax Act* (Canada).

The Pension Committee of the Plan is the Administrator. The University of Manitoba is the Plan sponsor. CIBC Mellon Trust Company has been appointed trustee and custodian in accordance with the terms of a Trust Agreement between the Pension Committee and CIBC Mellon Trust Company.

The following description of the Plan is a summary only. For more complete information, reference should be made to the Plan document.

Eligibility

Staff members of the University of Manitoba who sign a Geographical Full-Time agreement are eligible for membership in the Plan.

Funding

The University contributes for each member an amount equal to the lesser of:

a) 6% of the base salary of full professors at the University minus an adjustment for the Canada Pension Plan, and
b) the maximum contribution permitted by the *Income Tax Act* (Canada).

There are no member contributions.

Retirement Benefits

The Plan, a defined contribution plan, provides that at retirement, the accumulated value of the member's contribution account (if any), and University contribution account, are applied to purchase a life annuity from a licensed insurance company or transferred to a Life Income Fund or a Prescribed Registered Retirement Income Fund (PRIF) in accordance with the PBA. A member may also elect to transfer part or all of his/her member and University contribution account to a Locked-In Retirement Account (LIRA) provided the administrator of such LIRA agrees to administer the funds in the same manner as pension benefit credits transferred to a deferred life annuity under the PBA.

Termination Benefits

The Plan provides for full and immediate vesting on termination of employment subject to the provisions of the PBA.

Pre-retirement Death Benefits

The benefit on death prior to retirement is the accumulated value of the member's University contribution account for members who are eligible to retire.

2. Significant Accounting Policies

a) Basis of Accounting

The financial statements have been prepared in accordance with Canadian accounting standards for pension plans (Part IV of the CPA Canada Handbook). The Plan has adopted accounting standards for Private Enterprises (Part II of the CPA Canada Handbook) for all accounting policies that do not relate to the valuation of the investment portfolio or pension obligations.

These financial statements do not reflect an individual plan member's benefit security.

b) Financial Instruments

The financial instruments of the Plan consist of investments and accounts payable.

Initially, all financial assets and liabilities are recorded at fair value on the Statement of Financial Position. Subsequent measurement is determined by the classification of each financial asset and liability. Investment assets and liabilities are measured at fair value with the change in fair value recognized in the Statement of Changes in Net Assets Available for Benefits. The financial instruments classified as accounts payable are measured at amortized cost.

The Plan recognizes and derecognizes all financial assets and liabilities in accordance with Financial Instruments, Section 3856 (Part II of the CPA Canada Handbook).

All investment assets and liabilities are measured at fair value based on International Financial Reporting Standards 13 (Part I of the CPA Canada Handbook).

The majority of investment assets for the Plan are invested in TD Greystone pooled funds managed by TD Asset Management Inc. (TD Greystone). Pooled fund investments are valued at the unit values and net asset value per units used for subscriptions and redemptions supplied by the pooled fund manager, TD Greystone, which represent the Plan's proportionate share of underlying net assets at fair value.

Short-term investments are recorded at cost, which approximates fair value.

c) Foreign Currency Translation

The fair value of investments denominated in foreign currencies is translated into Canadian dollars at the exchange rate in effect at year-end and the resulting change is included in the change in fair value of investments. Revenue and expense transactions are translated at the exchange rates prevailing on the dates of the transactions and are included in investment income or the change in fair value of investments (realized gains or losses) at the translated amounts.

d) Allocation of Income/Loss to Individual Plan Members

Investment income/loss is determined and allocated to individual member accounts monthly. Investment income/loss for a month consists of dividend and interest income, realized gains or losses on the sale of investments and unrealized investment gains or losses. Expenses as defined in the service agreement are deducted before the allocation is made. Net investment income/loss is distributed prorata to all member accounts based on the member's account balance at the beginning of the month.

e) Pension Obligations

Since the Plan is a defined contribution pension plan, the pension obligations are equal to the net assets available for benefits.

(in thousands of dollars unless otherwise noted)

f) Use of Estimates

In preparing these financial statements, estimates and assumptions have been used that primarily affect the reported values of certain assets and liabilities at the date of the financial statements and the reported amounts of changes in net assets available for benefits during the year. Actual results could differ from those estimates.

3. Investments

The fair value of the units held in pooled funds is $70.9 million at December 31, 2021 (2020 - $65.1 million).

The underlying assets in the units held in the pooled funds plus cash of $0.7 million (2020 - $0.6 million) held for benefits and expenses are as follows:

As at December 31	2021	2020
Cash and short-term investments	$ 2,117	$ 2,032
Canadian equities	13,241	11,938
Foreign equities	25,577	24,266
Bonds and debentures	13,892	14,818
Mortgages	5,783	4,292
Real Estate	5,843	4,097
Infrastructure	5,181	4,243
Total	$ 71,634	$ 65,686

4. Risk Management

Fair values of investments are exposed to market risk, credit risk and liquidity risk.

The Pension Committee hired TD Greystone to invest the assets of the Plan in their pooled funds. TD Greystone uses disciplined quantitative and qualitative investment processes for portfolio construction and management. TD Greystone's overall risk management program seeks to minimize the potentially adverse effect of risk on the pooled funds' financial performance in a manner consistent with the pooled funds' investment objectives and risk constraints. In addition, the pooled funds are monitored independently of the investment team for compliance with their relevant investment policies. The following analysis is based on the underlying assets held in the pooled funds.

The subsiding impacts of COVID as well as the deterioration of geopolitical situation in Europe have produced significant market volatility. Despite the uncertainty as to the outcome and ultimate effects of these events, the Plan has fully maintained its valuation governance processes relying on its professional resources (i.e. TD Greystone) in providing their best estimate of the impact of these events on the valuation of its investments as of the date of these financial statements. The Plan is monitoring developments and continuing to assess through the performance reporting by the Plan's investment manager the ongoing impact on the Plan's investments.

a) Market risk

Market risk consists of other price risk, interest rate risk and foreign currency risk.

i) Other price risk

Other price risk is the risk that the value of an investment will fluctuate as a result of changes in market conditions, whether those changes are caused by factors specific to the individual investment, or factors affecting all securities traded in the market.

Asset class diversification reduces risk. Within each asset class, risk is managed by quality constraints on investments.

ii) Interest rate risk

Interest rate risk refers to the effect on the fair value of assets and liabilities due to fluctuations in interest rates. The fair value of the Plan's fixed income assets is directly affected by changes in nominal and real interest rates. A 100 basis point decrease or increase in interest rates, assuming all other variables held constant, would result in an increase (decrease) in the fixed income fair value by approximately $1.1 million (2020 - $1.1 million).

(in thousands of dollars unless otherwise noted)

The established investment policies for the fixed income investment portfolio have guidelines on concentration, duration, and distribution, which are designed to partially mitigate the risks of interest rate volatility.

iii) Foreign currency risk

Foreign currency risk is the risk that the value of an investment will fluctuate due to changes in foreign exchange rates.

The Plan's exposure in cash and investments to foreign currencies reported in Canadian dollars is affected by the currency exposure held in the pooled funds.

The Plan's percentage exposure is shown below:

	Currency Exposure	
Fair Value	2021	2020
Canadian dollar	57.4%	56.4%
US dollar	27.1%	26.6%
Euro	4.7%	4.7%
Japanese Yen	3.1%	4.2%
Chinese Renminbi	1.5%	1.3%
British Pound Sterling	1.4%	1.7%
Swiss Franc	1.3%	1.4%
Norwegian Krone	1.2%	1.2%
Other currencies	2.3%	2.5%
Total	100.0%	100.0%

A 10 percent decrease or increase in the value of the Canadian dollar in relation to all other foreign currencies, with all other variables held constant, would result in an unrealized investment gain (loss) of approximately $3.0 million (2020 - $2.8 million).

(in thousands of dollars unless otherwise noted)

b) Credit risk

Credit risk arises from the potential for an investee to fail or for a counterparty to default on its contractual obligations to the Plan. Credit risk is limited by dealing with counterparties that are considered to be of high quality relative to their obligations, by obtaining collateral where appropriate, through investment diversification and by setting and monitoring compliance with portfolio guidelines as set in the Statement of Investment Policies and Procedures.

At December 31, 2021, the Plan's maximum credit risk exposure relates to bonds and debentures, short-term investments and cash totaling $16.0 million (2020 – $16.9 million).

The breakdown of the fixed income investment portfolio by credit rating from various rating agencies is presented below:

Credit Rating	December 31, 2021	December 31, 2020
AAA	29.1%	25.7%
AA	13.0%	13.0%
A	37.2%	40.7%
BBB and lower	20.7%	20.6%
Total	100.0%	100.0%

c) Liquidity risk

Liquidity risk is the risk of being unable to generate sufficient cash, or its equivalent, in a timely and cost-effective manner to meet contractual obligations as they come due. The Plan is exposed to liquidity risk through their responsibility to pay benefits on a timely basis and fund their outstanding investment contractual obligations.

(in thousands of dollars unless otherwise noted)

The term to maturity and the related market values of fixed income investments as shown below are prorated based on the percentage of units held in the pooled funds:

Term to Maturity	December 31, 2021	December 31, 2020
Less than five years	$ 5,493	$ 7,428
Five to ten years	3,446	2,878
Over ten years	4,953	4,512
Total	$13,892	$14,818

5. Valuation of Financial Instruments at Fair Value

The Plan measures the fair value of investments using the following fair value hierarchy that reflects the significant inputs used in making the measurements:

a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);

b) inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (Level 2); and

c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The Plan's exposures across all risk parameters including market, credit and liquidity remained within all risk limits set out in the Plan's Statement of Investment Policies and Procedures, except as reported by TD Greystone.

The pooled funds of $70.9 million (2020 - $65.1 million) and the cash equivalents held to pay benefits of $0.7 million (2020 - $0.6 million) are Level 2 investments based on the level in the fair value hierarchy into which its fair value measurement is categorized.

(in thousands of dollars unless otherwise noted)

6. Investment Income

The following table represents the investment income for the Plan. The allocation to individual plan members' contribution accounts is described in Note 2d.

	2021	2020
Interest	$ -	$ 1
Dividend	1,404	1,346
Total Investment Income	$ 1,404	$ 1,347

7. Current Period Change in Fair Value of Investments

The following table represents the realized and unrealized gains and losses for the Plan. The allocation to individual plan members and their matching employer accounts is described in Note 2d.

	2021	2020
Net realized gains on the sale of investments	$ 3,748	$ 3,907
Net unrealized investment gains	3,629	714
Total Current Period Change in Fair Value of Investments	$ 7,377	$ 4,621

8. Administration Services

The Administration charge to the Plan represents the cost to operate the Plan administratively. The University, as employer and the Plan sponsor covers some of the costs of operating the Plan, either directly or indirectly such as staff dedicated to the pension office, office space, office equipment and supplies and computer systems support.

(in thousands of dollars unless otherwise noted)

9. Administrative Expenses

The following table represents the administrative expenses for the Plan. The allocation to individual plan members' accounts is described in Note 2d.

	2021	2020
Investment manager fees	$ 286	$ 256
University of Manitoba administration services (Note 8)	47	45
Audit services	15	14
Member communication	7	11
Consulting actuarial services	7	5
Investment custody services	6	6
Committee education	2	-
Other expenses	17	17
Total Administrative Expenses	$ 387	$ 354

10. Capital Disclosures

In the context of the Plan, capital is defined as the net assets available for pension benefits. Externally imposed capital requirements relate to the administration of the Plan in accordance with the terms of the Plan, the PBA and the provisions of the *Income Tax Act* (Canada). The Pension Committee, as the Administrator of the Plan, has developed appropriate risk management strategies, as described in Note 4, to preserve the net assets available for pension benefits. The Plan has complied with externally imposed capital requirements during the year.

11. Investments Greater Than 2%

Based on the legislative requirements of Section 3.29 of the Pension Benefits Regulations, the following is a list of individual investments held by the Plan where the fair value is greater than two percent of the fair value of all the investments of the Plan:

Pooled Funds	
TD Greystone Balanced Plus Fund	$60,239
TD Greystone Balanced Fund	$10,657