

**THE UNIVERSITY OF MANITOBA**  
**PENSION PLAN (1993)**

**Independent Auditors' Report and Financial Statements**  
**for the year ended December 31, 2017**



UNIVERSITY  
OF MANITOBA

Pension Office

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## **THE UNIVERSITY OF MANITOBA PENSION PLAN (1993)**

### **RESPONSIBILITY FOR FINANCIAL REPORTING**

The Pension Committee of The University of Manitoba Pension Plan (1993) (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 14, 2018  
Winnipeg, Manitoba



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## INDEPENDENT AUDITORS' REPORT

To the Legislative Assembly of Manitoba  
To the Pension Committee of The University of Manitoba Pension Plan (1993)  
To the Board of Governors of The University of Manitoba

We have audited the accompanying financial statements of The University of Manitoba Pension Plan (1993), which comprise the statement of financial position as at December 31, 2017, the statements of changes in net assets available for benefits and changes in pension obligations 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.



*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of The University of Manitoba Pension Plan (1993) as at December 31, 2017, and the changes in its net assets available for benefits and the changes in its pension obligations for the year then ended in accordance with Canadian accounting standards for pension plans.

*KPMG LLP*

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Chartered Professional Accountants

May 14, 2018

Winnipeg, Canada

## The University of Manitoba Pension Plan (1993)

### Statement of Financial Position

As at December 31, 2017

(\$ thousands)

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Investments (Note 3)	\$ 1,229,849	\$ 1,157,020
Contribution Receivable		
Member	5	-
Employer	346	305
Accrued Income Receivable	1,556	1,563
Receivable due to Merger (Note 15)	2,371	-
<b>TOTAL ASSETS</b>	<u><u>1,234,127</u></u>	<u><u>1,158,888</u></u>
<b>LIABILITIES</b>		
Accounts Payable	1,737	2,386
<b>TOTAL LIABILITIES</b>	<u><u>1,737</u></u>	<u><u>2,386</u></u>
<b>NET ASSETS AVAILABLE FOR BENEFITS</b>	1,232,390	1,156,502
<b>PENSION OBLIGATIONS</b> (Note 2e)	<u>1,225,519</u>	<u>1,189,088</u>
<b>PLAN SURPLUS (DEFICIT)</b>	<u><u>\$ 6,871</u></u>	<u><u>\$ (32,586)</u></u>

**The University of Manitoba Pension Plan (1993)**

**Statement of Changes in Net Assets Available for Benefits**

For the year ended December 31, 2017

(\$ thousands)

	<u>Member Regular</u>	<u>Member Voluntary</u>	<u>Employer Regular</u>	<u>Pension Guarantee Excess Funding</u>	<u>Pensioner Account</u>	<u>Pensioner Solvency Account</u>	<u>Total 2017</u>	<u>Total 2016</u>
<b>INCREASE IN ASSETS</b>								
Contributions	\$ 26,288	\$ -	\$ 26,288	\$ -	\$ -	\$ -	\$ 52,576	\$ 50,925
Transfers (Note 15)	167	360	167	2,067	-	-	2,761	198
Special payment for unfunded liability (Note 11)	-	-	-	-	-	4,014	4,014	5,138
Current service funding (Note 11)	-	-	-	4,391	-	-	4,391	3,491
Investment income (Note 7)	8,424	149	8,423	1,333	7,552	1,275	27,156	31,245
Current period change in fair value of investments (Note 8)	27,622	488	27,618	4,372	24,761	4,181	89,042	75,482
	<u>62,501</u>	<u>997</u>	<u>62,496</u>	<u>12,163</u>	<u>32,313</u>	<u>9,470</u>	<u>179,940</u>	<u>166,479</u>
<b>DECREASE IN ASSETS</b>								
Retirement benefits	21,001	2,477	21,001	6,008	34,987	-	85,474	90,938
Refunds and transfers	4,814	59	4,814	224	-	-	9,911	10,097
Benefits on death	624	-	624	1	27	-	1,276	1,582
Administrative expenses (Note 10)	2,293	41	2,293	362	2,055	347	7,391	6,808
	<u>28,732</u>	<u>2,577</u>	<u>28,732</u>	<u>6,595</u>	<u>37,069</u>	<u>347</u>	<u>104,052</u>	<u>109,425</u>
<b>INTRA PLAN TRANSFERS</b>								
To Pensioner Account (Note 6)	(5,115)	(88)	(5,115)	(1,413)	11,731	-	-	-
<b>NET INCREASE/(DECREASE) FOR THE YEAR</b>	28,654	(1,668)	28,649	4,155	6,975	9,123	75,888	57,054
<b>NET ASSETS AVAILABLE FOR BENEFITS AT THE BEGINNING OF THE YEAR</b>	<u>355,251</u>	<u>7,604</u>	<u>355,215</u>	<u>57,924</u>	<u>328,899</u>	<u>51,609</u>	<u>1,156,502</u>	<u>1,099,448</u>
<b>NET ASSETS AVAILABLE FOR BENEFITS AT THE END OF THE YEAR</b>	<u>\$ 383,905</u>	<u>\$ 5,936</u>	<u>\$ 383,864</u>	<u>\$ 62,079</u>	<u>\$ 335,874</u>	<u>\$ 60,732</u>	<u>\$ 1,232,390</u>	<u>\$ 1,156,502</u>

## The University of Manitoba Pension Plan (1993)

### Statement of Changes in Pension Obligations

For the year ended December 31, 2017

(\$ thousands)

	<u>2017</u>	<u>2016</u>
Actuarial present value of pension obligations (accrued pension benefits) at beginning of year	\$ 1,189,088	\$ 1,161,302
Interest accrued on benefits	91,269	85,933
Benefits accrued	57,346	56,251
Benefits paid	(96,661)	(102,617)
Experience (gains)	(7,508)	(7,479)
Assumption changes	(8,384)	(4,302)
Plan Merger	369	-
Actuarial present value of pension obligations (accrued pension benefits) at end of year	<u><u>\$ 1,225,519</u></u>	<u><u>\$ 1,189,088</u></u>

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**Notes to the Financial Statements**  
**December 31, 2017**

**1. Description of Plan**

**General**

The University of Manitoba Pension Plan (1993) (the “Plan”) is a trustee plan administered in accordance with The Pension Benefits Act of the Province of Manitoba and with provisions of The Income Tax Act (Canada).

The Pension Committee of the Plan is the Administrator. The University of Manitoba (the “University”) 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 other than those eligible for membership in The University of Manitoba GFT Pension Plan (1986) are eligible for membership in the Plan.

Effective January 1, 2017 the University of Manitoba Pension Plan (1970) (the “1970 Plan”) was merged with the Plan. The terminated members from the 1970 Plan whose accounts were not settled are now included in the Plan as inactive prior Plan members.

***Funding***

The Plan members contribute at the rate of 9.0% of salary less an adjustment for the Canada Pension Plan. The University matches these contributions.

If an actuarial valuation reveals a deficiency in the fund, The Pension Benefits Act of the Province of Manitoba requires that the University make additional contributions to fund the deficiency.

***Retirement Benefits***

At retirement, the Plan provides that the Member's Contribution Account and University Contribution Account are applied to establish retirement income known as a plan annuity. This annuity is determined using a pension factor



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**Notes to the Financial Statements**  
**December 31, 2017**

established by the Actuary and is paid from the Plan. The Plan provides that if the defined benefit pension based on a formula involving the member's years of service and highest average earnings exceeds the plan annuity, the difference (known as a supplementary pension) is paid from the Plan. The Plan provides for retirement benefits paid from the Plan to be increased using an excess interest approach, provided such increase can be afforded by the Plan as confirmed by the Actuary.

***Survivor Benefits***

In the event of the death of a member who is receiving a plan annuity, the amounts payable, if any, shall be paid in accordance with the form of the retirement benefits selected. If the recipient of the death benefit is not the eligible spouse and the benefit consists of the remaining payments under a guarantee period, the recipient may elect either to receive the remaining payments on a monthly basis or to receive an actuarially equivalent lump sum benefit.

***Termination Benefits***

The Plan provides for full and immediate vesting on termination of employment subject to the provisions of The Pension Benefits Act of the Province of Manitoba.

***Pre-retirement Death Benefits***

The benefit on death prior to retirement is the accumulated values of a Member's Contribution Account and the Member's University Contribution Account, including any supplementary pension 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. The Plan has adopted Part II (Private Enterprises) accounting standards 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.

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**Notes to the Financial Statements**  
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**b) Financial Instruments**

The financial instruments of the Plan consist of contribution receivable, accrued income receivable, receivable due to merger, investments and accounts payable which include benefits payable.

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

All investment assets and liabilities are measured at fair value based on International Financial Reporting Standards (IFRS) 13.

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. Financial instruments measured at amortized cost include contribution receivable, accrued income receivable, receivable due to merger and accounts payable.

Fair values of investments are determined as follows:

***Fixed Income***

- (i) Short-term investments are recorded at cost which approximates fair value.
- (ii) The pooled mortgage funds are valued by the external fund managers.
- (iii) Bonds and debentures are valued at market by an independent securities valuation company.

***Equity***

- (i) Publicly traded securities are recorded at year end market prices.
- (ii) The pooled equity funds are valued by the external fund managers.

***Real Estate***

- (i) The pooled real estate funds are valued by the external fund managers.

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**Notes to the Financial Statements**  
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**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) or administrative expenses 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 dividends 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 pro-rata to all member accounts based on the member's account balance at the beginning of the month.

**e) Pension Obligations**

The Plan is a hybrid pension plan that includes defined benefit and defined contribution components.

The pension obligations of a defined benefit pension plan are the actuarial present value of accrued pension benefits determined by applying best estimate assumptions and the projected benefit method prorated on service.

**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 period. Actual results could differ from those estimates.

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**Notes to the Financial Statements  
December 31, 2017**

**3. Investments**

As at December 31, 2017 (\$ thousands)			
	Cost	Fair Value	% of Asset Mix at Fair Value
Cash and short-term investments	\$ 26,341	\$ 26,243	2.1%
Bonds and debentures	145,380	145,843	11.9%
Mortgages - pooled	171,857	167,969	13.6%
Real estate - pooled	108,722	125,100	10.2%
Canadian equities	193,273	257,194	20.9%
Foreign equities	448,467	507,500	41.3%
	<u>\$1,094,040</u>	<u>\$1,229,849</u>	<u>100.0%</u>

As at December 31, 2016 (\$ thousands)			
	Cost	Fair Value	% of Asset Mix at Fair Value
Cash and short-term investments	\$ 21,361	\$ 21,385	1.8%
Bonds and debentures	142,856	143,834	12.4%
Mortgages - pooled	166,150	163,076	14.1%
Real estate - pooled	91,734	99,061	8.6%
Canadian equities	205,099	255,768	22.1%
Foreign equities	446,238	473,896	41.0%
	<u>\$1,073,438</u>	<u>\$1,157,020</u>	<u>100.0%</u>

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**Notes to the Financial Statements**  
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**4. Risk Management**

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

**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.

To mitigate the impact of other price risk, the Plan invests in a diversified portfolio of investments based on an approved Statement of Investment Policies and Procedures. Asset class diversification reduces risk. Within each asset class, risk is managed by quality constraints on investments, restrictions on investments in private placements and investment style diversification. The Plan's target asset allocation reflects a risk/return trade-off which was assessed by the Pension Committee on the basis of long-term prospects in the capital market taking into account the Plan's benefits, liabilities and financial situation with consideration given to all factors that may affect funding, solvency and the ability of the Plan to meet its financial obligations.

The Plan's target asset allocation based on fair value is the following:

Fixed Income	30.0%	
Cash Account		1.0%
Universe Bonds		14.5%
Mortgages		14.5%
Equities	60.0%	
Canadian		20.0%
US		25.0%
EAFE		15.0%
Alternatives	10.0%	
Real Estate		10.0%

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**ii) Interest rate risk**

Interest rate risk refers to the effect on the market value of assets and liabilities due to fluctuations in interest rates. The value of the Plan's bond portfolio assets are directly affected by changes in nominal and real interest rates. The impact of a change in the interest rates by 100 basis points, assuming all other variables held constant, would result in the bond portfolio market value changing by approximately \$11.3 million (2016 - \$11.1 million).

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

The impact of change in the interest rates by 100 basis points, assuming all other variables held constant, would result in the combined pooled mortgage and real estate portfolio's net assets changing by approximately \$5.3 million (2016 - \$4.8 million).

Pension liabilities are exposed to fluctuations in long-term interest rates as well as expectations in salary escalation.

**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. Forward foreign exchange contracts can be used to manage currency exposure in connection with securities purchased in foreign currency. Forward contracts are contractual agreements to exchange specified securities at an agreed upon exchange rate and at a settlement date in the future.

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The Plan's exposure in cash and investments to foreign currencies reported in Canadian dollars is shown below:

As at December 31, 2017	Currency Exposure (\$ thousands)	Percentage
Canadian	\$ 718,180	58.40%
US dollar	318,903	25.93%
Euro	56,683	4.61%
British Pound sterling	40,740	3.31%
Japanese Yen	33,861	2.75%
Swiss Franc	16,780	1.36%
Hong Kong dollar	12,163	0.99%
Indian Rupee	6,863	0.56%
South Korean Won	6,025	0.49%
Singapore dollar	5,064	0.41%
Brazilian Real	3,403	0.28%
Other currencies	11,184	0.91%
<b>Total</b>	<b>\$1,229,849</b>	<b>100.00%</b>

As at December 31, 2016	Currency Exposure (\$ thousands)	Percentage
Canadian	\$ 681,632	58.91%
US dollar	329,787	28.50%
Euro	46,020	3.98%
British Pound sterling	31,638	2.73%
Japanese Yen	28,467	2.46%
Swiss Franc	14,722	1.27%
Hong Kong dollar	7,826	0.68%
Brazilian Real	4,215	0.36%
Singapore dollar	3,524	0.31%
Other currencies	9,189	0.80%
<b>Total</b>	<b>\$1,157,020</b>	<b>100.00%</b>

A 10 percent increase or decrease in exchange rates, with all other variables held constant, would result in a change in unrealized gains (losses) of approximately \$41.4 million (2016 - \$40.3 million).

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**Notes to the Financial Statements**  
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**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, 2017, the Plan's maximum credit risk exposure relates to bonds and debentures, short-term investments and cash totaling \$172.09 million (2016 - \$165.22 million), contribution receivable of \$350,781 (2016 - \$305,148), accrued income of \$1.556 million (2016 - \$1.563 million) and the receivable due to the merger of \$2.371 million totaling \$176.36 million (2016 - \$167.09 million).

The Statement of Investment Policies and Procedures establishes limits for ownership of any investment and acceptable credit ratings. In the case of bonds, no more than 20% of the bond securities shall have a credit rating of BBB or lower by DBRS or the equivalent rating by another recognized agency.

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

Credit Rating	December 31, 2017		December 31, 2016	
	Fair Value		Fair Value	
	(\$ thousands)		(\$ thousands)	
AAA	\$ 53,233	36.5%	\$ 51,339	35.7%
AA	36,752	25.2%	53,082	36.9%
A	34,565	23.7%	24,547	17.1%
BBB and lower	21,293	14.6%	14,866	10.3%
	\$ 145,843	100.0%	\$ 143,834	100.0%

The pooled funds are exposed to credit risk when they hold mortgages, debt securities and sales agreements. The companies of the pooled funds monitor this credit risk.



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**Notes to the Financial Statements**  
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**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 its responsibility to pay benefits on a timely basis and fund their outstanding investment contractual obligations. The established investment policies mitigate liquidity risk by holding various income producing assets and limiting exposure to non-liquid asset classes.

The term to maturity and the related market values of bond investments are as follows:

Term to Maturity (\$ thousands)	December 31, 2017	December 31, 2016
Less than one year	\$ 1,167	\$ 5,983
One to five years	49,149	57,534
Over five years	95,527	80,317
Total fixed income investments	\$ 145,843	\$ 143,834

**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).

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**Notes to the Financial Statements**  
**December 31, 2017**

The tables below analyze investments, measured at fair value at year end, by the level in the fair value hierarchy into which the fair value measurement is categorized:

December 31, 2017 (\$ thousands)	Level 1	Level 2	Total
Cash	\$ 3,292	\$ -	\$ 3,292
Short-term investments	-	22,951	22,951
Bonds and debentures	-	145,843	145,843
Mortgages - pooled	-	167,969	167,969
Real estate - pooled	-	125,100	125,100
Canadian equities	257,194	-	257,194
Foreign equities	180,716	326,784	507,500
	<u>\$ 441,202</u>	<u>\$ 788,647</u>	<u>\$ 1,229,849</u>

December 31, 2016 (\$ thousands)	Level 1	Level 2	Total
Cash	\$ 4,289	\$ -	\$ 4,289
Short-term investments	-	17,096	17,096
Bonds and debentures	-	143,834	143,834
Mortgages - pooled	-	163,076	163,076
Real estate - pooled	-	99,061	99,061
Canadian equities	255,768	-	255,768
Foreign equities	189,007	284,889	473,896
	<u>\$ 449,064</u>	<u>\$ 707,956</u>	<u>\$ 1,157,020</u>

For the years ended December 31, 2017 and 2016, there were no transfers between level 1 and level 2.

**6. Pensioner Account**

At retirement, the members of this Plan have the option of leaving their funds within the Plan. If the member selects this option, their total account is transferred from their member and university accounts to the Pensioner Account.

Effective December 1, 2008 the mortality basis changed significantly. This change was based on the recommendations from a mortality study based on the Plan's mortality experience. As a result an amendment was made subdividing the Pensioner Account

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**Notes to the Financial Statements**  
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allocations between Plan Pensions for pre-December 1, 2008 and post-November 30, 2008 retirements.

**7. Investment Income (\$ thousands)**

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

	<u>2017</u>	<u>2016</u>
Interest	\$ 10,632	\$ 10,931
Dividends	16,524	20,314
Total Investment Income	<u>\$ 27,156</u>	<u>\$ 31,245</u>

**8. Current Period Change in Fair Value of Investments (\$ thousands)**

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

	<u>2017</u>	<u>2016</u>
Net realized gains on the sale of investments	\$ 36,815	\$ 65,452
Net unrealized investment gains	52,227	10,030
Total Current Period Change in Fair Value of Investments	<u>\$ 89,042</u>	<u>\$ 75,482</u>

**9. 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.

**10. Administrative Expenses (\$ thousands)**

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

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	2017	2016
Investment manager	\$ 5,688	\$ 5,047
Investment custody services	316	337
University of Manitoba administration services	783	631
Actuarial services	177	77
Consulting services	155	135
Transaction costs	142	466
Member communication	35	-
Audit services	23	23
Committee education	12	-
Legal services	2	35
Other expenses	58	57
Total expenses	\$ 7,391	\$ 6,808

**11. Employer Special Payments**

In accordance with the Plan document, the University is responsible to fund the Plan by matching members' contributions and to make any additional special payments required under The Pension Benefits Act. Based on the results of the Plan's actuarial valuation report, as at December 31, 2016, the University was required to fund two types of special payments: the Going Concern deficit payments of \$4.014 million (2016 - \$5.138 million) and the current service cost (cost of benefits that arise in the period to the next valuation date) of \$4.391 million (2016 - \$3.491 million). These payments are in addition to the matching contributions. The deficit payments will continue to be paid by the University until the Plan's deficit, as determined in the December 31, 2016 actuarial valuation, is eliminated.

**12. 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 Pension Benefits Act of the Province of Manitoba and the provisions of The Income Tax Act (Canada). The Pension Committee, as the Administrator of the Plan, have 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.

**13. Actuarial Valuation**

An extrapolation to December 31, 2017 of the 2016 actuarial valuation for financial reporting purposes was completed by Eckler Ltd., a firm of consulting actuaries.

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In this extrapolation, the accrued pension obligation is the sum of the defined contribution account balances at fair value and the actuarial present value of defined benefits (pensions in pay and future supplementary pensions). The actuarial present value of defined benefits is based on a number of assumptions about future events including interest rates, rate of salary increases, mortality, retirement rates and termination rates. The major assumptions used in determining the actuarial present value of pension benefits for the defined benefit component of the Plan are:

	<u>2017</u> (rates are per year)	<u>2016</u> (rates are per year)
Net investment earnings <sup>1</sup>	6.25%	6.00%
Discount rate <sup>2</sup>	5.50%	5.50%
Future Base Rate <sup>3</sup>	3.75%	3.75%
Salary increases	0% in 2018, 0.75% in 2019, 1% in 2020, 1.5% in 2021 and 2.5% thereafter	1.5% to 2022 2.5% thereafter
Increases for “salary- related” amounts <sup>4</sup>	2.75%	3.0%
Merit Increases <sup>5</sup>	Age-related scale for academics,  0.5% to age 65, 0% thereafter for support	Age-related scale for academics,  0.5% to age 65, 0% thereafter for support
Mortality <sup>6</sup>	CPM2014Publ with age- related adjustments, projected generationally from 2014 using Scale CPM-B	CPM2014Publ with age- related adjustments, projected generationally from 2014 using Scale CPM-B

1. Defined contribution account balances plus future contributions to those accounts are assumed to increase at this net rate of return on investments.
2. Defined benefits are discounted at this rate, except that benefits for pensioners who retired on or after December 1, 2008 are discounted at the lesser of the discount rate and the Base Rate in effect at retirement.
3. The future Base Rate together with the mortality table is used to determine the plan annuity provided by the defined contribution account balances for future retirements.

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4. Other “salary-related” amounts include yearly maximum pensionable earnings (YMPE), maximum contributions and maximum benefits.
5. In addition to salary increases, salaries for academic and support members are assumed to increase for reasons of promotion and merit at rates that vary by age.
6. The mortality assumption reflects the results of a mortality study undertaken in 2015 based on the Plan’s experience for the years 2000-2014.

An actuarial valuation, for funding purposes, effective December 31, 2016, was completed in 2017 by Eckler Ltd. and filed with regulators. Pension legislation requires that a funding valuation effective December 31, 2017 be filed in 2018.

The merger of the 1970 and 1993 plans was approved in 2017. The assets and liabilities of the now merged plans are reflected in the assets and liabilities of the 1993 Plan.

**14. Investments Greater Than 1%**

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 one percent of the fair value of all the investments of the Plan:

<u>Investment Description</u>	<u>Fair Value</u> <u>(\$ thousands)</u>
Bank of Nova Scotia	17,403
Toronto Dominion Bank	15,957
Royal Bank of Canada	13,781
Canadian Natural Resources Ltd.	12,921
<u>Pooled Fund</u>	
JP Morgan 130/30 US Equity Fund	127,221
Greystone Mortgage Fund	114,335
Mawer International Equity Fund	104,786
Burgundy International Equity Fund	94,777
Greystone Real Estate Fund	62,984
GWL Real Estate Investment Fund #1	62,116
GWL Mortgage Investment Fund #1	53,634

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**15. Plan Merger**

As at January 1, 2017, the Plan and the 1970 Plan were each amended to merge the plans. The approval to merge the assets and liabilities of the 1970 Plan with the assets and liabilities of the Plan was provided by the Office of the Superintendent - Pension Commission (Manitoba) on November 24, 2017. The transfer of the assets was completed in early 2018.

The assets transferred to the 1993 Plan of \$2.371 million are included as Transfers on the Statement of Changes in Net Assets Available for Benefits.