Financial Statements of

HEALTHCARE EMPLOYEES PENSION PLAN - MANITOBA

Year ended December 31, 2010

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of the Healthcare Employees Pension Plan - Manitoba

We have audited the accompanying financial statements of Healthcare Employees Pension Plan - Manitoba, which comprise the statement of net assets as at December 31, 2010, the statement of changes in net assets for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the net assets of Healthcare Employees Pension Plan - Manitoba as at December 31, 2010, and its changes in net assets for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

June 16, 2011

Winnipeg, Canada

HEALTHCARE EMPLOYEES PENSION PLAN - MANITOBA

Statement of Net Assets

December 31, 2010, with comparative figures for 2009

	2010	2009
Assets		
Cash	$ 50,629,131	$ 45,565,129
Contributions and other receivables (note 4)	18,005,869	16,186,228
Investment income receivable	3,833,498	5,209,732
Investments (note 5)	3,948,341,824	3,522,636,188
Capital assets (note 6)	1,493,466	876,630
	$ 4,022,303,788	$ 3,590,473,907
Liabilities and Net Assets		
Accrued benefit payments	$ 17,349,000	$ 12,367,000
Accounts payable and accrued liabilities	3,770,215	3,217,256
Due to brokers	2,442,177	1,871,107
	23,561,392	17,455,363
Net assets represented by:		
Pension Fund	3,997,248,930	3,572,141,914
Capital Fund	1,493,466	876,630
	3,998,742,396	3,573,018,544
Commitment (note 13)		
	$ 4,022,303,788	$ 3,590,473,907

See accompanying notes to financial statements.

Approved by the Trustees:

Bob Romphf, Chair

Gloria O'Rourke Vice-Chair

HEALTHCARE EMPLOYEES PENSION PLAN - MANITOBA

Statement of Changes in Net Assets

Year ended December 31, 2010, with comparative figures for 2009

	Pension Fund	Capital Fund	2010 Total	2009 Total
Increase in net assets:				
Pension fund contributions:				
Employer	$ 116,778,070	$ –	$ 116,778,070	$ 112,278,567
Employee	116,635,665	–	116,635,665	112,278,567
Reciprocal transfers and buybacks:				
Employer	877,652	–	877,652	2,499,356
Employee	878,756	–	878,756	2,521,262
Investment income (note 7)	114,810,575	–	114,810,575	116,054,995
Current period change in market value of investments	255,476,597	–	255,476,597	332,303,247
Total increase in net assets	605,457,315	–	605,457,315	677,935,994
Decrease in net assets:				
Pension payments	134,873,689	–	134,873,689	123,654,940
Termination refunds	27,257,814	–	27,257,814	27,405,255
Investment management fees	10,526,831	–	10,526,831	8,903,614
Administrative expenses	4,879,447	–	4,879,447	4,878,794
Amortization of capital assets	–	747,669	747,669	523,097
Professional fees	88,716	–	88,716	112,513
Special project expenses	310,458	–	310,458	98,190
Custodial fees	721,032	–	721,032	716,840
Actuarial fees	327,807	–	327,807	476,716
Total decrease in net assets	178,985,794	747,669	179,733,463	166,769,959
Increase (decrease) in net assets prior to inter-fund transfers	426,471,521	(747,669)	425,723,852	511,166,035
Inter-fund transfers (note 6)	(1,364,505)	1,364,505	–	–
Increase in net assets	425,107,016	616,836	425,723,852	511,166,035
Net assets, beginning of year	3,572,141,914	876,630	3,573,018,544	3,061,852,509
Net assets, end of year	$ 3,997,248,930	$ 1,493,466	$ 3,998,742,396	$ 3,573,018,544

See accompanying notes to financial statements.

1. General:

The Plan is governed by a Board of Trustees appointed by signatory employers and unions. The Plan has received approval from Canada Revenue Agency (CRA) for registration as a Specified Multi-Employer Plan and the Manitoba Pension Commission has registered the Plan as a Multi-unit Pension Plan.

2. Description of the Plan:

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

(a) General:

The Plan is a multi-employer defined benefit pension plan for all employees of participating healthcare facilities in the Province of Manitoba.

(b) Funding policy:

Employers and employees are required to contribute to the Plan a certain percentage of the members' earnings up to the legislated Year's Maximum Pensionable Earnings (YMPE) plus a certain percentage of the members' earnings in excess of the YMPE, as established by the settlors of the Plan.

The settlors of the Plan approved the following contribution rate percentages for 2010 and 2009:

2010	Below YMPE	6.8%
	Above YMPE	8.4%
2009	Below YMPE	6.8%
	Above YMPE	8.4%

2. Description of the plan (continued):

Employers and employees contributed equally to fund the benefits under the Plan until December 31, 2010. Commencing January 1, 2011, the following contribution rate percentages have been approved for 2011, 2012 and 2013:

		Employer	Employee
January 1, 2011	Below YMPE	7.8%	6.8%
	Above YMPE	9.4%	8.4%
April 1, 2012	Below YMPE	7.8%	7.6%
	Above YMPE	9.4%	9.2%
April 1, 2013	Below YMPE	7.9%	7.9%
	Above YMPE	9.5%	9.5%

(c) Normal retirement pension benefits:

Normal retirement pension benefits commence the first month coincident with or immediately following the attainment of age 65. The annual earned pension payable to a member on normal or postponed retirement is based on years of service and contributory earnings.

(d) Early retirement pension benefits:

A member may elect to retire early provided that:

- the member has completed at least two years of service and attained age 55; or
- the total of the member's age plus years of service total at least 80.

If at the member's early retirement date:

- the member has attained age 60 and two years of service; or
- the member's age plus years of service total at least 80,

then the member shall receive normal pension benefits.

If at the member's early retirement date the member's age is between 55 and 60 and the member has not achieved the total of 80 based on age and years of service, pension benefits will be reduced in accordance with the Plan Text.

2. Description of the plan (continued):

(e) Postponed retirement benefits:

Retirement benefits cannot be postponed beyond the end of the year in which a member turns 71 years of age.

(f) Death benefits:

Prior to May 31, 2010:

Prior to retirement, upon the death of a member who has completed two years of service, the beneficiary is eligible to receive a death benefit.

If less than two years of service has been completed, then the beneficiary is eligible to receive the related contributions plus interest.

Effective May 31, 2010:

All members are eligible for death benefits. Before retirement or disability payment commencement, members are eligible to receive the commuted value of their vested accrued pension for service prior to January 1, 1985 and service after December 31, 1984. After retirement or disability payable commencement, the benefit is based on the payment form elected by the member.

(g) Benefits on termination:

Prior to May 31, 2010:

In the event of termination after two years of service, the terminating member is entitled to a return of their contributions plus the value of their earned pension.

If less than two years service has been completed then the terminating member shall receive their contributions plus credited interest.

Effective May 31, 2010:

In the event of termination, the terminating member will receive the value of their pension entitlement.

2. Description of the plan (continued):

(h) Income taxes:

The Plan is a Pension Trust as defined in the *Income Tax Act* and is not subject to income taxes.

3. Significant accounting policies:

(a) Basis of presentation:

These financial statements are prepared on a going concern basis and present the aggregate financial position of the Plan as a separate financial reporting entity, independent of the participating employers and members. 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 benefit security of the individual plan members.

(b) Fund accounting:

Assets, liabilities, revenues and expenses related to the Plan's capital assets are recorded in the Capital Fund. All other assets, liabilities, revenues and expenses are reported in the Pension Fund.

(c) Investments:

Investments are stated at market value as follows:

(i) Short-term investments:

Short-term investments are valued at cost plus accrued interest, which approximates market value, with maturities up to one year.

(ii) Bonds:

Bonds are valued using published market quotations or by a yield-to-maturity calculation where published rates are not available.

Bond pooled fund units are recorded at market values established by the respective fund trustee.

3. Significant accounting policies (continued):

(iii) Mortgages:

Mortgage investments held in mortgage pooled funds are recorded at market values established by the respective fund trustee.

(iv) Equities:

All listed equities are traded on major stock exchanges and are valued based on the quoted market price as at year end. If a closing trade price is unavailable, a latest bid price is reflected. If no bid price is available, the most recent trade price is used.

All private equities are valued by the general partner, who in its determination of fair market value considers any legal sale or other liquidity restrictions on the investment. Purchases and sales are recorded on the closing date of the transactions.

(v) Real estate:

Real estate investments held in pooled funds are recorded at market values established by the respective fund asset manager. Real estate properties are recorded at market value as established by an annual appraisal conducted by qualified external real estate appraisers and, if applicable, are reduced by any assessed impairment between the appraisal and year-end dates.

(d) Capital assets:

Capital assets are recorded at cost less accumulated amortization. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated useful life of an asset are capitalized. When a capital asset no longer contributes to the Plan's ability to provide services, its carrying amount is written-down to its residual value. Capital assets, which include computer software, computer hardware, and office equipment, are amortized on a straight-line basis over three years. Amortization expense is reported in the Capital Fund.

Computer projects are amortized on a straight-line basis over three years as the projects are completed.

3. Significant accounting policies (continued):

(e) Foreign currency transactions and balances:

Assets and liabilities denominated in foreign currency are translated into Canadian dollars at the exchange rate prevailing at the financial statement date. Revenues and expenses denominated in foreign currencies are translated at the exchange rate prevailing at the transaction date.

(f) Income recognition:

Contributions from the members are recorded on an accrual basis. Cash received from members for credited service and cash transfers from other pension plans are recorded when received.

Investment income has been accrued as reported by the issuer of the pooled funds and bonds. Dividend income from publicly traded securities is recorded as of the ex-dividend date. Interest income has been accrued as earned.

(g) Benefits:

Benefit payments to members, termination refunds to former members, and transfer payments to other plans are recorded in the period in which they are paid or payable. Any benefit payment accruals not paid are reflected in accrued benefit payments.

(h) Transaction costs:

Transaction costs are incremental costs directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. Transaction costs incurred are expensed and included in current period change in market value of investments.

(i) Unrealized gains (losses):

The net unrealized gains (losses) for the year are reflected in the statement of changes in net assets.

3. Significant accounting policies (continued):

(j) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of net assets, changes in net assets and related disclosures. Actual results could differ from those estimates. The most significant use of estimates is the assumptions used in the actuarial valuation for the obligations for pension benefits (note 12).

4. Contributions and other receivables:

	2010	2009
Contributions receivable - employer	$ 8,304,829	$ 7,634,503
Contributions receivable - employee	8,679,643	7,634,503
Due from Healthcare Employees Benefits Plan - Manitoba	444,537	196,351
Other receivables	576,860	720,871
	$ 18,005,869	$ 16,186,228

5. Investments:

	2010	2009
Canadian equities	$ 1,286,760,949	$ 1,161,848,477
Bonds	1,121,053,743	962,331,293
International equities	547,580,558	458,902,378
U.S. equities	432,603,373	392,359,514
Real estate	341,367,437	317,300,598
Mortgages	176,030,567	207,721,681
Short-term investments	42,945,197	22,172,247
	$ 3,948,341,824	$ 3,522,636,188

6. Capital assets:

			2010	2009
	Cost	Accumulated amortization	Net book value	Net book value
Computer software	$ 2,141,542	$ 1,960,450	$ 181,092	$ 190,251
Computer hardware and office equipment	4,616,828	3,950,928	665,900	396,171
Computer projects	3,958,677	3,312,203	646,474	290,208
	$ 10,717,047	$ 9,223,581	$ 1,493,466	$ 876,630

In fiscal 2010, $1,364,505 (2009 - $494,884) was transferred from the Pension Fund to the Capital Fund for the acquisition of capital assets.

7. Investment income:

	2010	2009
Bonds	$ 42,360,851	$ 39,501,145
Canadian equities	26,740,795	27,203,142
Real estate	16,363,721	16,048,677
Mortgages	11,387,129	14,003,320
International equities	11,726,012	11,568,252
U.S. equities	5,759,813	7,340,615
Short-term investments	169,243	389,844
Security lending income	303,011	–
	$ 114,810,575	$ 116,054,995

8. Risk management:

(a) Market risk:

(i) Interest rate risk:

Interest rate risk refers to the adverse consequences of interest rate changes on the Plan's cash flows, financial position and income. The Plan's fixed income investments are exposed to the risk that the value of interest-bearing investments will fluctuate due to changes in the level of market interest rates. The Plan has invested approximately 34 percent (2009 - 34 percent) of its investments in fixed income securities as at December 31, 2010. To properly manage the Plan's interest rate risk, appropriate guidelines on the weighting and duration for bonds and other fixed income investments are set and monitored.

The remaining terms to contractual maturity of the Plan's bond portfolio at December 31 are as follows:

	2010	2009
Less than one year	$ 2,348,050	$ 693,023
One to five years	509,628,872	458,694,190
After five years	609,076,821	502,944,080
Total carrying value	$1,121,053,743	$ 962,331,293

The Plan holds the above fixed income securities directly and in-directly through pooled funds. An increase of 100 basis points in interest rates, with all other variables held constant, will impact fixed income investments by an estimated loss of $71.0 million. The Plan's interest rate sensitivity was determined based on portfolio weighted duration.

(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. The Plan and its investment managers have the ability to utilize derivative instruments to mitigate foreign currency risk, subject to the approval of the Plan's Investment Committee. The Plan is exposed to fluctuations in the U.S. dollar, Japanese yen and European currencies, notably the Euro, British pound sterling and Swiss franc.

8. Risk management (continued):

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

As at December 31, 2010	Actual currency exposure	%
Canadian	$ 2,982,737,847	74.6
US dollar	577,544,767	14.4
Euro	201,452,717	5.0
Japanese yen	73,726,077	1.9
British pound sterling	59,472,747	1.5
Swiss franc	53,510,907	1.3
Other currencies	50,525,893	1.3
	$ 3,998,970,955	100.0

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 $101.6 million.

(iii) Other price risk:

The Plan's investments in equities are sensitive to market fluctuations. To properly 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. A decline of 10 percent in equity values, with all other variables held constant, will impact the Plan's equity investments by an approximate loss of $226.7 million.

(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 or requested. The Plan's greatest concentration of credit risk is in its fixed income securities. The fair value of the fixed income securities includes consideration of the creditworthiness of the debt issuer. All transactions in listed securities are settled or paid for upon delivery using approved brokers. The risk of default is considered minimal, as payment is made on a purchase once the securities have been received from the broker. For sales transactions, the securities are released once the broker has made payment.

8. Risk management (continued):

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

Credit rating	2010 Market value		2009 Market value	
AAA	$ 627,861,219	56.0%	$ 547,210,885	56.9%
AA	238,888,534	21.3%	217,782,284	22.6%
A	254,303,990	22.1%	195,865,451	20.4%
BBB	–	–	1,472,673	0.1%
	$ 1,121,053,743	100.0%	$ 962,331,293	100.0%

Credit risk associated with contributions and other receivables is minimized due to their nature. The majority of the receivable balances are due from member facilities and are collected from participating members through the payroll process. No provision for doubtful contributions and other receivables has been recorded in either 2010 or 2009. The carrying amounts of fixed income investments and contributions and other receivables represent the maximum credit exposure to the Plan.

(c) Liquidity risk:

Over 86 percent (2009 - 85 percent) of the Plan's investments are in liquid securities traded in public markets. These include all U.S. and international equities and the majority of Canadian equities, which is over 57 percent (2009 - 57 percent) of the Plan assets and is all exchange traded, and bonds. Although market events could lead to some investments becoming illiquid, management believes the diversity of the Plan's portfolio and current contribution levels will ensure that liquidity is available for benefit payments. The Plan's financial statement liabilities have contracted maturities of less than one year.

The Plan's fixed income securities are diversified at December 31 as follows:

	2010		2009	
	Market value	Average coupon rate	Market value	Average coupon rate
Federal	$ 576,102,037	3.69%	$ 502,857,452	3.95%
Provincial/ municipal	273,292,566	5.47%	223,499,719	5.74%
Corporate	271,659,140	5.53%	235,974,122	5.69%
Mortgages	176,030,567		207,721,681	
	$ 1,297,084,310		$ 1,170,052,974	

9. Fair value disclosure:

The Plan's assets which are recorded at fair value are required to be classified into one of three levels, depending on the inputs used for valuation. The hierarchy of inputs is summarized below:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- 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
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

Changes in valuation methods may result in transfers into or out of an investment's assigned level.

The following is a summary of the inputs used as of December 31, 2010 and 2009 in valuing the Plan's investments:

2010	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Cash	$ 50,629,131	$ –	$ –	$ 50,629,131
Short-term investments	–	42,945,197	–	42,945,197
Bonds	–	1,121,053,743	–	1,121,053,743
Mortgages	–	176,030,567	–	176,030,567
Canadian equities	1,239,622,200	38,148,938	8,989,811	1,286,760,949
U.S. equities	432,603,373	–	–	432,603,373
International equities	547,580,558	–	–	547,580,558
Real estate	–	–	341,367,437	341,367,437
	$ 2,270,435,262	$ 1,378,178,445	$ 350,357,248	$ 3,998,970,955

9. Fair value disclosure (continued):

2009	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Cash	$ 45,565,129	$ –	$ –	$ 45,565,129
Short-term investments	–	22,172,247	–	22,172,247
Bonds	–	962,331,293	–	962,331,293
Mortgages	–	207,721,681	–	207,721,681
Canadian equities	1,144,226,558	9,351,028	8,270,891	1,161,848,477
U.S. equities	392,359,514	–	–	392,359,514
International equities	458,798,040	104,338	–	458,902,378
Real estate	–	–	317,300,598	317,300,598
	$ 2,040,949,241	$ 1,201,680,587	$ 325,571,489	$ 3,568,201,317

At December 31, 2010 and 2009, there were no transfers between Level 1 and Level 2.

The reconciliation of investments measured at fair value using unobservable inputs (Level 3) is presented as follows:

	Canadian equities	Real estate	Total
Balance, December 31, 2008	$ 7,800,547	$ 323,132,838	$ 330,933,385
Purchases	473,263	28,792,225	29,265,488
Sales	–	(15,724,800)	(15,724,800)
Current period change in market value of investments	(2,919)	(18,899,665)	(18,902,584)
Balance, December 31, 2009	8,270,891	317,300,598	325,571,489
Purchases	–	30,785,514	30,785,514
Sales	(1,506,718)	(17,283,855)	(18,790,573)
Realized gains	–	1,284,550	1,284,550
Current period change in market value of investments	2,225,638	9,280,630	11,506,268
Balance, December 31, 2010	$ 8,989,811	$ 341,367,437	$ 350,357,248

The Plan did not use or consider alternative assumptions for valuation of Level 3 securities as those are valued independently by investment managers or third party providers.

9. Fair value disclosure (continued):

Section 3.29 of the Manitoba Pension Benefits Act Regulation requires disclosure of each investment asset that has a fair value greater than one percent of the fair value of the investment assets of the Plan. As of December 31, 2010, the Plan held the following investments that met this criteria:

Bonds:		
Government of Canada bonds, 3.75 percent, maturing June 1, 2019	$	100,162,574
Equities:		
Toronto-Dominion Bank		82,766,475
Talisman Energy Inc.		71,182,160
Royal Bank of Canada		70,046,016
Bank of Nova Scotia		64,500,160
Canadian Natural Resources Ltd.		62,134,350
Suncor Energy Inc.		44,701,240
Encana Corporation		42,128,138
Toromont Industries Ltd.		41,726,063
Research in Motion Ltd.		40,701,263
Saputo Inc.		40,632,828

10. Role of the actuary and auditor:

The actuary has been appointed pursuant to the Plan Text and the Trust Agreement. With respect to the preparation of financial statements, the actuary has been engaged to carry out a valuation of the Plan's assets and liabilities, which consists of a provision for future obligations of the Plan to the members. The valuation is made in accordance with accepted actuarial practice, applicable legislation and any direction received from regulatory authorities, and reported thereon to the Board of Trustees. In performing the valuation of the liabilities, which are by their nature inherently variable, assumptions are made as to the investment rate of return, inflation rates and salary escalation in the future, taking into consideration the circumstances of the healthcare employees and the nature of the liabilities. The actuary, in their review of the management information provided by the Plan used in the valuation, also makes use of the work of the external auditors. The Actuary's Report outlines the scope of their work and opinion.

The external auditors have been appointed by the Board of Trustees to conduct an independent and objective audit of the financial statements of the Plan in accordance with generally accepted auditing standards and report thereon to the Board of Trustees. In carrying out their audit, the auditors also make use of the work of the actuary and their report on the Plan's liabilities. The Auditors' Report outlines the scope of their audit and their opinion.

11. Related party:

The Plan and the Healthcare Employees Benefits Plan - Manitoba (HEBP) have a certain number of common trustees and a cost sharing agreement to allocate certain costs based on factors such as square footage, number of employees and time usage.

12. Obligations for pension benefits:

As at December 31, 2010, the date of the most recent actuarial Accounting Valuation, the actuarial present value of the accrued pension benefits was $4,364,708,000 (2009 - $4,087,645,000) and the actuarial value of the Plan assets was $4,099,867,000 (2009 - $3,866,677,000). Since there is no intention of extinguishing the pension obligations in the near term, the obligations are calculated by using the going concern actuarial basis. The projected unit credit actuarial cost method was used by Towers Watson, the actuary, to determine the actuarial liability and the required current service contributions.

Four significant long-term actuarial assumptions used in the valuation were:

(a) the liability discount rate was assumed to be 6.5 percent (2009 - 6.5 percent);

(b) the asset rate of return was assumed to be 6.5 percent (2009 - 6.5 percent);

(c) inflation rate was assumed to be 3.0 percent (2009 - 3.0 percent); and

(d) the salary escalation rate was assumed to be 4.0 percent (2009 - 4.0 percent) plus merit and promotion.

The assumptions used in determining the actuarial present value of accrued pension benefits are going concern assumptions adopted by the Trustees and were developed by reference to expected long-term market conditions. As underlying conditions change over time, going concern assumptions adopted by the Trustees may also change, which could cause a material change in the actuarial value of accrued pension benefits.

Actuarial value of net assets has been determined using the five year moving average market method. Under this method all experience gains and losses are averaged over a five year period. The change in actuarial adjustment of asset carrying value is reflected as deferred investment (gains) losses in the table below.

12. Obligations for pension benefits (continued):

The Accounting Valuation is prepared for financial statement purposes in accordance with the recommendations of the Canadian Institute of Chartered Accountants using a discount rate equivalent to the current yield on high-quality long term corporate bond and other assumptions that represent management's best estimate of future events. Changes in this valuation are disclosed in the table below.

The actuarial present value of benefits as at December 31, 2010 and December 31, 2009 and the principal components of changes in actuarial present values during the year on an accounting basis were as follows:

	December 31, 2010	December 31, 2009
Market value of net assets	$ 3,997,249,000	$ 3,572,142,000
Deferred investment losses	102,618,000	294,535,000
Actuarial value of net assets	4,099,867,000	3,866,677,000
Actuarial present value of accrued pension benefits - beginning of period	4,087,645,000	3,755,410,000
Benefits accrued	204,810,000	202,953,000
Benefits paid	(162,132,000)	(151,060,000)
Interest accrued on benefits	267,062,000	245,762,000
Increase in benefits accrued due to data corrections	10,700,000	8,819,000
Effect of actual experience, change in administrative expenses and change in actuarial basis	(43,377,000)	25,761,000
Actuarial present value of accrued pension benefits, end of period	4,364,708,000	4,087,645,000
Deficiency of actuarial value of net assets over actuarial present value of accrued pension benefits	$ (264,841,000)	$ (220,968,000)

The Accounting Valuation as at December 31, 2010 indicates a deficiency of actuarial value of net assets over actuarial present value of accrued pension benefits of $264,841,000 as well as a solvency deficiency of $927,089,000.

The Statutory Valuation is prepared for regulatory purposes using assumptions that may be more conservative than those used for the Accounting Valuation. This valuation is filed with the Office of the Superintendent of Pensions for assessment as to whether the Plan is appropriately funded over time. A Statutory Valuation must be performed at least once every three years in accordance with the requirements of The Pension Benefits Act.

12. Obligations for pension benefits (continued):

The most recent Statutory Valuation for funding purposes was performed by Towers Watson (formerly Towers Perrin) as at December 31, 2010, and reflects a solvency deficit of $927,089,000. However, in November of 2010 the Plan received confirmation of solvency exemption from the Manitoba Pension Commission. Based on this exemption, the Plan is not required to fund on a solvency basis, but must still undertake a solvency valuation and disclose the current deficit, if any. Note that the Plan is still required to apply the going concern test, and fund on a going concern basis.

The primary risk the Plan faces is that the Plan's asset growth and contribution rates will be insufficient to cover the Plan's liabilities (funding risk) resulting in an unfunded liability (funding deficiency). If a funding deficiency reaches a certain level, or persists, it may need to be eliminated through contribution rate increases, pension benefit reductions or a combination of the two.

The Plan's net funded position can change relatively quickly if there are changes in the value of the investments or liabilities. Either can result in a mismatch between the Plan's assets and its liabilities. The most significant contributors to funding risk are:

- declining interest rates
- declining long-term investment rates of return
- unexpected increases in inflation and salary escalation

The Plan's liabilities are affected by non-economic factors like changes in member demographics. The Plan's assets are subject to financial instrument risks which are explained in more detail in note 8 to these financial statements.

13. Commitment:

The Plan leases office space under various operating leases with varying expiry dates up to December 31, 2015. The Plan's allocation of annual lease payments to expiry is as follows:

2011	$ 293,000
2012	293,000
2013	295,000
2014	295,000
2015	297,000
	$ 1,473,000