



Grant Thornton

Financial Statements

University of Victoria Staff Pension Plan

December 31, 2010

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Independent auditor's report

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To the Board of Governors of the University of Victoria

We have audited the accompanying financial statements of the University of Victoria Staff Pension Plan, which comprise the statement of net assets available for benefits as at December 31, 2010, and the statement of changes in net assets available for benefits for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements have been prepared by management based on the financial reporting provisions of section 9(7) of the Pension Benefits Standards Act (BC).

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of section 9(7) of the Pension Benefits Standards Act (BC), 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.

Auditor's 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 the auditor's 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, the auditor considers 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 available for benefits of University of Victoria Staff Pension Plan as at December 31, 2010, and the changes in net assets available for benefits for the year then ended in accordance with the financial reporting provisions of Section 9(7) of the Pension Benefits Standards Act (BC).

Basis of accounting and restriction on distribution and use

Without modifying our opinion, we draw attention to note 2 to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist University of Victoria Staff Pension Plan to meet the requirements of the Financial Institutions Commission of British Columbia. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the Trustees of University of Victoria Staff Pension Plan, Financial Institutions Commission of British Columbia, Board of Governors of the University of Victoria and members of the plan and should not be distributed to or used by parties other than the Trustees of University of Victoria Staff Pension Plan, Financial Institutions Commission of British Columbia, Board of Governors of the University of Victoria, or the members of the plan.

Victoria, Canada
May 31, 2011



Chartered accountants

University of Victoria Staff Pension Plan

Statement of Net Assets Available for Benefits

December 31

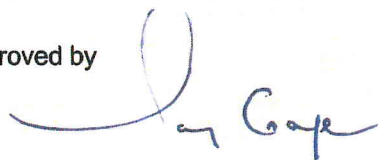
2010

2009

Assets

Cash	\$ <u>60,033</u>	\$ <u>156,911</u>
Investments (Note 3)		
Short-term notes	3,930,756	471,661
Canadian bonds	66,796,723	64,609,612
Mortgages	4,663,627	4,248,479
Canadian equities	32,608,440	27,943,920
U.S. equities	17,671,355	15,903,888
Currency hedging fund	10,810	-
Foreign bonds	468,568	-
Real estate	15,823,202	14,472,159
International equities	16,273,227	15,689,229
Infrastructure	<u>7,273,558</u>	<u>6,909,734</u>
	<u>165,520,266</u>	<u>150,248,682</u>
Receivables		
Members' contributions	189,447	184,521
University contributions	512,202	496,809
Accrued interest and dividend income	177,310	132,942
Other	<u>1,711</u>	<u>-</u>
	<u>880,670</u>	<u>814,272</u>
	<u>166,460,969</u>	<u>151,219,865</u>
Liabilities		
Payables and accruals	<u>50,525</u>	<u>47,602</u>
Net assets available for benefits (Note 6)	<u>\$ 166,410,444</u>	<u>\$ 151,172,263</u>

Approved by



Chair, Board of Governors
University of Victoria



Vice-President, Finance and Operations
University of Victoria

See accompanying notes to the financial statements.

University of Victoria Staff Pension Plan

Statement of Changes in Net Assets Available for Benefits

Year Ended December 31

2010

2009

Change in net assets

Net return on investments (Note 4)

Interest income	\$ 3,382,163	\$ 3,335,774
Dividends	279,616	375,725
Realized net gains (losses)	1,925,933	(2,682,920)
Unrealized net gains (losses)	7,976,063	14,798,773
Investment fees	<u>(372,043)</u>	<u>(334,625)</u>
	<u>13,191,732</u>	<u>15,492,727</u>

Contributions (Note 1(b))

Members		
Basic	2,097,324	2,040,611
Supplemental	113,775	110,603
Additional voluntary	38,097	33,300
University		
Basic	5,895,085	5,324,356
Supplemental	<u>113,775</u>	<u>110,603</u>
	<u>8,258,056</u>	<u>7,619,473</u>

Total change in assets

	<u>21,449,788</u>	<u>23,112,200</u>
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Reductions of assets

Payments to or on behalf of members

Pensions to retired members		
Basic	4,409,723	4,148,749
Supplemental	37,603	39,672
Pensions to disabled members	321,041	332,233
Termination payments and transfers to other plans	<u>1,365,172</u>	<u>1,564,480</u>
	<u>6,133,539</u>	<u>6,085,134</u>

Operating expenses

Actuarial fees	2,793	4,860
Office and administrative	44,040	44,040
Consulting and audit fees	19,607	21,349
Provincial registration fees	<u>11,628</u>	<u>11,406</u>
	<u>78,068</u>	<u>81,655</u>

Total reductions of assets

	<u>6,211,607</u>	<u>6,166,789</u>
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Increase in net assets

	15,238,181	16,945,411
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Net assets available for benefits, beginning of year

	<u>151,172,263</u>	<u>134,226,852</u>
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Net assets available for benefits, end of year

	\$ <u>166,410,444</u>	\$ <u>151,172,263</u>
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See accompanying notes to the financial statements.

University of Victoria Staff Pension Plan

Notes to the Financial Statements

December 31, 2010

1. Description of plan

The following description of the University of Victoria Staff Pension Plan is a summary only. For more complete information, reference should be made to the Plan text, which is available from the Pension Office in the Administrative Support Services building.

(a) General

The Plan is a defined benefit pension plan that covers primarily regular CUPE and exempt staff.

(b) Funding policy

In accordance with the Plan document, members are contributing 4.53% of their basic salary up to the Canada Pension Plan Year's Maximum Pensionable Earnings (YMPE) (\$47,200 in 2010), and 6.28% of their basic salary in excess of that amount to the Basic Plan to fund basic pension benefits. Members contribute an additional 0.25% of salary to the Supplementary Retirement Benefit Account (see Note 8).

Also in accordance with the Plan document, the University contributes the balance of the contributions necessary to ensure that benefits will be adequately financed on a sound actuarial basis. Effective May 1, 2009, the University increased its basic rate of contribution from 10.25% to 12.94%. The University contributes an additional 0.25% of salary to the Supplementary Retirement Benefit Account (see Note 8).

Subject to Canada Revenue Agency maximums, members may elect to make additional contributions to a voluntary contribution account through payroll deduction or by transfer from other registered vehicles.

(c) Normal retirement

All members are eligible for a retirement benefit. Normal retirement is the end of the month in which the member reaches age 65. Pension benefits are calculated using the following formula:

Benefit accrual rate x highest five year average salary x years of credited service (full time equivalent).

The benefit accrual rates since the plan's inception in 1972 are as follows:

	On average salary up to the average YMPE	On average salary over the average YMPE
On service up to December 31, 1989	1.65%	2.00%
On service during 1990 and 1991	1.30%	2.00%
On service from 1992 through 1999	1.50%	2.00%
On service from January 1, 2000	1.70%	2.00%

University of Victoria Staff Pension Plan

Notes to the Financial Statements

December 31, 2010

1. Description of plan (continued)

(d) Early retirement

Members may elect early retirement at the end of any month following attainment of age 60 with no reduction provided that the member retired from active status. Members may retire between age 55 and 60 on a reduced pension. The reduction rates for retirement on an immediate pension are 3% for each year that the member is under age 60 when the pension commences. The reduction rates for retirement from inactive status (deferred) are actuarial and are between 5% and 6% for each year that the member is under age 65 when the pension commences.

(e) Disability pensions

Prior to April 1, 2006, members who became totally and permanently disabled and were in receipt of a disability pension from Canada Pension Plan were eligible to receive a disability pension from the plan equal to the pension they would have received had they continued to contribute to the plan to normal retirement. Only those members who met disability criteria prior to April 1, 2006 are in receipt of this benefit.

(f) Adjustments to pensions

Pensions are adjusted each January 1st by reference to the change in the Canadian Consumer Price Index (CPI) to a maximum of +/-3% per year since the member's last contribution date. The change in the CPI for the reference period of September 2008 to September 2009 was -0.9% (3.4% for 2007 to 2008). In order to avoid having to reduce pensions, permission was received from the Superintendent of Pensions to carry forward the negative adjustment to a future positive year, with the suggestion that the plan's indexing methodology be reviewed.

When the change in the CPI exceeds 3%, the Administration Committee may authorize additional indexing from the Supplementary Retirement Benefit Account (see Note 8) to pensioners who are at least age 66, provided the actuary certifies that the increase can be financed by the assets of the Supplementary Retirement Benefit Account on a sound actuarial basis.

(g) Termination and portability benefits

Upon termination of employment, members may leave their contributions on deposit for a deferred pension or elect to transfer the lump sum commuted value of their pension to a locked-in Registered Retirement Savings Plan (RRSP) or another Registered Pension Plan. If the annual benefit is less than 10% of the YMPE or if the lump sum value is less than 20% of the YMPE in the year of termination, the member may transfer the commuted value on a non-locked-in basis or receive a cash payment, less withholding tax.

University of Victoria Staff Pension Plan

Notes to the Financial Statements

December 31, 2010

1. Description of plan (continued)

(h) Survivor benefits before retirement

The beneficiary of a member who dies before retirement is the member's spouse (if the member has a spouse) unless the spouse has completed and filed a Spouse's Waiver of Pre-Retirement Benefits with the Pension Office. If the member does not have a spouse or the spouse has completed a waiver, the beneficiary is the member's estate unless the member has designated another beneficiary.

The survivor benefit for a spouse is either an immediate lifetime pension or, if the member was under 55 years of age, the lump sum commuted value of that benefit transferred to a locked-in RRSP or Life Income Fund, subject to the approval of Canada Revenue Agency.

The survivor benefit for all other beneficiaries is a lump sum less withholding tax. The lump sum, before tax, is equal to the commuted value that would have been payable to the member had the member terminated employment on the member's date of death.

(i) Survivor benefits after retirement

The survivor benefit after retirement or commencement of a disability pension is determined by the optional form selected by the member when the pension commenced.

The normal form for a member who has a spouse is a joint and last survivor pension where 50% of the benefit continues to the surviving spouse. The normal form for a member who does not have a spouse is a single life pension where payments continue for the member's lifetime with a guaranteed minimum of 10 years if the member does not survive for 10 years after retirement. The optional forms available are as follows:

- Joint and last survivor where 60%, 66.7% or 100% of the benefit continues to a surviving spouse (provided the member has a spouse).
- Single life where payments continue for the member's lifetime with a guaranteed minimum of 5, 10 or 15 years.

If the member has a spouse, the member must select a form which provides at least a 60% survivor benefit unless the spouse completes a waiver.

(j) Income taxes

The Plan is a registered pension plan as defined in the Income Tax Act (Canada) and is not subject to income taxes.

University of Victoria Staff Pension Plan

Notes to the Financial Statements

December 31, 2010

2. Summary of significant accounting policies (continued)

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 sponsor and plan members. They are prepared to assist plan members and others in reviewing the activities of the Plan for the fiscal period. The statement of net assets available for benefits shows the assets under control of the trustee of the Plan, RBC Dexia Investor Services Trust, and does not purport to show the adequacy of the fund to meet the obligations for the Plan.

Investments

Investments are stated at fair value. Fair value is determined using market values where available. Fair value for international investments held by BC Investment Management Corporation, are estimated based on preliminary market values supplied by the BC Investment Management Corporation, and any differences between the estimated values and final market values are adjusted in the subsequent period. Where listed market values are not available, estimated values are calculated by discounted cash flows. Investment sales and purchases are recorded on trade date.

Investment income

Investment income is recorded on the accrual basis. Any adjustments to investments due to the fluctuation of market prices are reflected as part of the return on investments in the statement of changes in net assets available for benefits.

Use of estimates

The preparation of financial statements, in conformity with Canadian generally accepted accounting principles, requires management, within the assumption parameters regarding pension liabilities approved by the Plan's actuaries, to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases in assets during the period. Actual results could differ from those estimates. Significant areas requiring the use of management estimates relate to the valuation of investments.

3. Investments, fair value

Short-term notes consist of Canadian money market securities, such as treasury bills, with terms of 12 months or less. Canadian and foreign bonds consist of government and corporate bonds and debentures. Equities consist of publicly traded shares, and in the case of international equities refer to investments in Europe, Australia and the Far East. Mortgages consist of commercial, industrial and multi-family residential mortgages. Real estate investments consist mainly of diversified Canadian income-producing properties. Infrastructure investments refer collectively to the roads, bridges, rail lines, and similar public works that are required for an

University of Victoria Staff Pension Plan

Notes to the Financial Statements

December 31, 2010

3. Investments, fair value (continued)

industrial economy, or a portion of it, to function. Investments may be segregated or consist of units of pooled investment portfolios of the investment manager. The Plan invests in the BC Investment Management Corporation's Currency Hedging Fund.

The Plan's investments are recorded at fair value or at amounts that approximate fair value. Fair value is the amount at which the investment could be exchanged in a current financial transaction between willing parties. The investments are categorized according to a hierarchy which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). The three levels of the fair value hierarchy are as follows:

Level 1 – Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly.

Level 3 – Inputs that are unobservable for the asset or liability.

The Plan's proportionate share of investments in each fund, categorized according to the fair value hierarchy, is as follows:

		<u>2010</u>	<u>2009</u>
Short-term notes	Level 1	\$ 3,930,756	\$ 471,661
Canadian bonds	Level 2	66,796,723	64,609,612
Mortgages	Level 1	4,663,627	4,248,479
Global bonds	Level 2	468,568	-
Canadian equities	Level 1	32,608,440	27,943,920
Currency contracts	Level 2	10,810	-
US equities	Level 1	17,671,355	15,903,888
EAFE equities	Level 1	16,273,227	15,689,229
Real estate	Level 3	15,823,202	14,472,159
Infrastructure	Level 3	<u>7,273,558</u>	<u>6,909,734</u>
		<u>\$ 165,520,266</u>	<u>\$ 150,248,682</u>
Fair value hierarchy			
Level 1		\$ 75,147,405	\$ 64,257,177
Level 2		67,276,101	64,609,612
Level 3		<u>23,096,760</u>	<u>21,381,893</u>
		<u>\$ 165,520,266</u>	<u>\$ 150,248,682</u>

University of Victoria Staff Pension Plan

Notes to the Financial Statements

December 31, 2010

4. Net return on investments 2010 2009

The Plan earned a gross rate of return of 8.92% (2009: 11.74%) and a net rate of return of 8.61% (2009: 11.42%). Net returns are as follows:

Interest		
Cash and short-term notes	\$ 27,836	\$ 3,219
Bonds	3,107,761	3,111,011
Mortgages	245,786	221,544
Other	780	-
Dividends from Canadian equities	279,616	375,725
Net realized gains (losses)	1,925,933	(2,682,920)
Net unrealized gains (losses)	7,976,063	14,798,773
	13,563,775	15,827,352
Investment costs		
Manager fees	291,836	253,818
Custodial fees	52,603	51,943
Other	27,604	28,864
	372,043	334,625
Total net investment return	\$ 13,191,732	\$ 15,492,727

5. Obligations for pension benefits

The present value of accrued pension benefits was determined using the projected benefit method prorated on service and administrator's best estimated assumptions. An actuarial valuation was made as of December 31, 2007 by Watson Wyatt & Company, a firm of consulting actuaries, and was then extrapolated by the actuary to December 31, 2010.

Actuarial present value of accrued pension benefits	<u>2010</u>	<u>2009</u>
Actuarial present value of accrued pension benefits, beginning of year	\$ 157,799,803	\$ 147,640,553
Increase (decrease) during the year due to:		
Interest accrued on benefits	9,426,495	8,817,159
Benefits accrued	7,758,888	7,387,553
Benefits paid	(6,095,936)	(6,045,462)
Net increase in actuarial present value of accrued pension benefits	11,089,447	10,159,250
Actuarial present value of accrued pension benefits, end of year	\$ 168,889,249	\$ 157,799,803

University of Victoria Staff Pension Plan

Notes to the Financial Statements

December 31, 2010

5. Obligations for pension benefits (continued)

The assumptions used in determining the actuarial value of accrued pension benefits were developed by reference to expected long-term market conditions. Significant long-term actuarial assumptions used in the valuation were:

	<u>2010</u>	<u>2009</u>
Interest assumption – Assets	5.80%	5.80%
Interest assumption – Liabilities	5.80%	5.80%
Salary escalation	3.50%	3.50%
Cost of living increase	2.50%	2.50%

The actuarial value of net assets available for benefits has been determined at amounts that reflect long-term market trends (consistent with assumptions underlying the valuation of the accrued pension benefits). The actuarial value of net assets is based on market values.

Actuarial present value of net plan assets available for benefits

	<u>2010</u>	<u>2009</u>
Net assets at fair value available for benefits	\$ 166,410,444	\$ 151,172,263
Assets at fair value available for supplementary benefits	<u>(8,334,415)</u>	<u>(7,491,003)</u>
Value of net assets at fair value available for benefits	\$ <u>158,076,029</u>	\$ <u>143,681,260</u>
Deficiency of net assets over actuarial present value of accrued pension benefits	\$ <u>(10,813,220)</u>	\$ <u>(14,118,543)</u>

6. Net assets available for benefits

The net assets available for benefits as at December 31 have been allocated as follows:

	<u>2010</u>	<u>2009</u>
Basic Plan	\$ 157,216,660	\$ 142,908,526
Supplementary Retirement Benefit Account	8,334,415	7,491,003
Additional Voluntary Contribution Accounts	<u>859,369</u>	<u>772,734</u>
	\$ <u>166,410,444</u>	\$ <u>151,172,263</u>

7. Actuarial valuation for funding purposes

An actuarial valuation of the Plan's assets and pension obligations is performed every three years to determine an appropriate contribution rate. For this purpose, the plan actuary values both accrued assets and benefit obligations to the financial statement date, as well as contributions and benefits for future service. The most recent valuation for funding purposes was prepared by Watson Wyatt & Company as of December 31, 2007 and a copy of this valuation is filed with the British Columbia Pension Standards Branch. This valuation disclosed an actuarial surplus of \$13.2 million as at December 31, 2007 (\$11.3 million as at December 31, 2004). Towers Watson (formerly Watson Wyatt) will be preparing a valuation as at December 31, 2010 in 2011.

University of Victoria Staff Pension Plan

Notes to the Financial Statements

December 31, 2010

8. Supplementary retirement benefit account

The Supplementary Retirement Benefit Account is a reserve to provide pensioners who have reached age 66 with increases that are supplemental to the increases provided under the Basic Plan (see Note 1(f)). Supplementary increases are authorized by the Staff Pension Plan Administration Committee in consultation with the plan actuary and are subject to the availability of funds in the Supplementary Retirement Benefit Account. The increases are limited so that the total increase in any one year from the combined basic and supplementary provisions does not exceed the increase in the Canadian CPI.

9. Related party transactions

Administrative costs of \$44,040 represent a portion of the general administration costs incurred by the University and charged to the Pension Plan. The costs include salaries for the Pension Office and other operating and administrative costs.

10. Risk management

The Plan's investments are recorded at fair value. Other financial instruments consist of cash, receivables, and payables and accruals. The fair value of these financial instruments approximates their carrying values. Fair values of investments are exposed to price risk, liquidity risk and credit risk.

Price risk

Price risk is comprised of currency risk, interest rate risk, and market risk.

Currency risk: Currency risk relates to the possibility that the investments will change in value due to future fluctuations in US, Euro and other international foreign exchange rates. For example, a 5% strengthening (weakening) of the Canadian dollar against the US dollar at December 31, 2010 would have decreased (increased) the US equity value by approximately \$884,000.

The bcIMC Currency Hedging Fund is used for defensive purposes in order to protect clients' foreign investments from the impact of an appreciating Canadian dollar (relative to the foreign currency). The Fund purchases and sells currencies through the spot market, forward contracts, and/or futures. Unit values are calculated based on the net realized and unrealized gains/losses of the derivative financial instruments.

The Fixed Income Manager, the Foreign Equity Manager and the Infrastructure Manager will (or may) purchase securities denominated in foreign currencies. The Investment Committee may give discretion to a manager to hedge some or all of its foreign currency exposures. The Committee will make such direction for either defensive or strategic reasons.

University of Victoria Staff Pension Plan

Notes to the Financial Statements

December 31, 2010

10. Risk management (continued)

Interest rate risk: Interest rate risk relates to the possibility that the investments will change in value due to future fluctuations in market interest rates and that pension liabilities are exposed to the impact of changes in long term market interest rates. Duration is an appropriate measure of interest rate risk for fixed-income funds as a rise in interest rates will cause a decrease in bond prices – the longer the duration, the greater the effect. At December 31, 2010, the average duration of the bond portfolio was 5.98 years. Therefore, if interest rates were to increase by 1%, the value of the bond portfolio would drop by 5.98%.

Market risk: Market risk relates to the possibility that the investments will change in value due to future fluctuations in market prices. This risk is reduced by the investment policy provisions approved by the Board of Governors for a structured asset mix to be followed by the investment managers, the requirement for diversification of investments within each asset class and credit quality constraints on fixed income instruments. Market risk can be measured in terms of volatility, i.e., the standard deviation of change in the value of a financial instrument within a specific time horizon. Based on the volatility of the Plan's current asset class holdings shown below, the expectation is that over the long-term, the Plan will return around 5.8%, within a range of +/- 11.4% (i.e. results ranging from -5.6% to 17.2%).

Price risk (continued)

	<u>Estimated volatility %</u>
Canadian and foreign equities	+/- 19.5
Foreign equities	+/- 17.1
Real estate	+/- 13.0
Short-term holdings	+/- 1.5
Bonds	+/- 5.1
Infrastructure	+/- 13.0

Benchmark for investments	<u>% change</u>	<u>Net impact on market value</u> (in thousands)
DEX 91-day Treasury Bill Index	+/- 1.5	+/- 59
DEX Universe Bond Index	+/- 5.1	+/- 3,668
S&P/TSX Capped Composite Index	+/- 19.5	+/- 6,359
MSCI World ex-Canada Net Index	+/- 17.1	+/- 5,805
Canadian Consumer Price Index (real estate)	+/- 13.0	+/- 2,057
Canadian Consumer Price Index (infrastructure)	+/- 13.0	+/- 946

Liquidity risk

Liquidity risk is the risk of being unable to generate sufficient cash or its equivalent in a timely and cost effective manner in order to meet commitments as they come due. The primary liabilities in the Plan are future benefit obligations (see Note 6) and operating expenses. Liquidity requirements are managed through income generated by monthly contributions and investing in sufficiently liquid (eg. publicly traded) equities, pooled funds and other easily marketable instruments.

University of Victoria Staff Pension Plan

Notes to the Financial Statements

December 31, 2010

10. Risk management (continued)

Credit risk

Credit risk relates to the possibility that a loss may occur from failure of a fixed income security issuer or derivative contract counter-party to meet its debt obligations. At December 31, 2010, the maximum risk exposure for this type of investment is \$75,859,674.

The Plan limits the risk in the event of non-performance related to derivative financial instruments by dealing principally with counter-parties that have a credit rating of A or higher as rated by the Dominion Bond Rating Service or equivalent.

The following shows the percentage of fixed income holdings in the portfolio by credit rating:

<u>Rating</u>	<u>Allocation</u>
AAA	15.7%
AA	47.8%
A	22.1%
BBB	7.8%
BB and below	1.3%
Unrated	0.1%
Mortgages)	<u>5.2%</u>
Total	100%

11. Capital disclosures

The purpose of Plan is to provide benefits to plan members. As such, when managing capital, the objective is to preserve assets in a manner that provides the Plan the ability to continue as a going-concern. With the assistance of an outside consultant, the Plan's Investment Committee and Pension Office regularly monitor the asset mix to ensure compliance with the Statement of Investment Policies and Goals so that both immediate and long-term obligations can be met within an acceptable level of risk. An Asset-Liability Modeling Study was also completed in late 2006 for the purpose of determining a strategic asset mix that meets the objectives of the Plan given its underlying liability structure.

The Plan is also subject to the Pension Benefits Standard Act (BC) regulations, which require that solvency and going concern actuarial valuations are performed every three years, at which time the Plan must take measures to eliminate any funding deficiencies that may arise.
