BRANDON UNIVERSITY

Brandon University Retirement Plan
Board of Trustees

Monday, February 12, 2018 at 1:00 PM
Louis Riel Room, Harvest Hall, Brandon University
Campus map https://www.brandonu.ca/colloquium/campus-map/

AGENDA

1.0 Call to Order

2.0 Approval of Agenda and Minutes

2.1 Approval of Agenda of February 12, 2018
2.2 Approval of Minutes of November 23, 2017

3.0 Connor, Clark & Lunn Investment Management Ltd (Lori Satov)

3.1 Investment Performance Review

4.0 New Business

4.1 Brandon University Retirement Plan – Audit Plan 2017 (Todd Birkhan of BDO Canada)
4.2 Recommendations for Reforms to the Pension Benefits Act

5.0 Eckler Ltd (Andrew Kulyk)

5.1 2018 Pension Increase
5.2 Updated Financial Position of Plan as at December 31, 2017 & Estimated 2018 University Contributions
5.3 2017 Actuarial Valuation Assumptions
5.4 Updated flowchart - Post-Retirement Marriage Breakdown
5.5 Pension Legislation – Manitoba Consultations

6.0 Correspondence

6.1 Invoices – CIBC Mellon

CIBC Mellon Invoice #190615, Custodial Fees for October 1-31, 2017	$10,003.96
CIBC Mellon Invoice #192687, Custodial Fees for November 1-30, 2017	$ 9,632.25
CIBC Mellon Invoice #193384, Custodial Fees for December 1-31, 2017	$18,712.16

6.2	Invoices - Eckler Ltd	
	Eckler Ltd invoice 0192BUN01-0497 for Professional Services For the period covering October – November 2017	$7,542.94
	Eckler Ltd invoice 0192BUN01-0485 for Professional Services For the period covering December 2017	$636.56
	Eckler Ltd invoice 0194BUN10-0452 for Administration Services For the period October 1-December 15, 2017	$11,546.43
6.3	BU Miscellaneous	
	Account number 762549 (2016 and 2017)	$5,479.95

7.0 For Information

7.1 January 22, 2018 Engagement Letter from The Office of the Auditor General Manitoba

7.2 Current Membership, Pension Plan Board of Trustees

8.0 Upcoming Meeting Dates

June 6, 2018, 1:00-4:30 pm, Clark Hall Room 427
September 12, 2018, 1:00-4:00 pm, Clark Hall Room 427
November 21, 2018, 1:00-4:30 pm, Clark Hall Room 427

BRANDON UNIVERSITY

Brandon University Retirement Plan
Board of Trustees
MEETING MINUTES
November 23, 2017

1.0 Call to Order

1.1 Introductions
- Schedule B was signed by all Pension Trustees
- G Manby is representing IUOE D until September 2018
- M Koschinsky voted in by retired members of the Plan
- S Chambers attended meeting via Zoom software

1.2 Approval of Todd Fugleberg as Chairperson.

Motion: Moved and Seconded (G Manby/S Lamont)

BE IT RESOLVED THAT THE Brandon University Pension trustees approve Todd Fugleberg as acting Chairperson for the meeting of November 23, 2017.

CARRIED

2.0 Approval of Agenda & Minutes

2.1 Approval of Agenda of November 23, 2017

Motion: Moved and Seconded (T Cantlon/S Lamont)

BE IT RESOLVED THAT THE Brandon University Pension trustees approve the agenda of November 23, 2017.

CARRIED

2.2 Approval of Minutes of June 8, 2017

Motion: Moved and Seconded (S Lamont/G Manby)

BE IT RESOLVED THAT THE Brandon University Pension trustees approve the minutes of June 8, 2017.

CARRIED

2.3 Approval of Minutes of August 10, 2017

Motion: Moved and Seconded (S Lamont /T Cantlon)

BE IT RESOLVED THAT THE Brandon University Pension trustees approve the minutes of August 10, 2017.

CARRIED

3.0 Connor, Clark & Lunn Investment Management Ltd

3.1 Investment Performance Review

L Satov provided update on the BURP portfolio for Third Quarter 2017.

- Capital markets - equity markets are posting strong returns internationally and Canada is catching up.
- Energy and materials are leading the market.
- Bond market – There is strong economic data in the Canadian economy.
- Interest rates increased which hurt the portfolio but are expected to fall.
- Three Canadian equity strategies in portfolio.
- SRA portfolio is value portfolio and had a strong quarter. We are positioned for what we are seeing in the market. They underperformed in 2014-16 but strategy managers are taking over.
- Stock selection has significant added value.
- Global model – The current environment in the global economy is stronger with increased activity. US outperformed other areas of the market; Japan and Europe are particularly positive.
- Emerging markets have done well in the recent years with strong performance in 4th quarter. Momentum and quality factors are particularly positive.
- Overall strategy – underweight bonds; favour equity in the portfolio.
- Bond – anomalies in marketplace with Canadian and US bonds in particular. Do not anticipate Bank of Canada interest rate increasing but rather it may lower. There is a desire to increase interest rates in US Federal Reserve due to a strong economy.
- Bonds have performed well in the most recent year but it will not continue.
- An increase in interest is not anticipated by the 4th Quarter of 2017 nor early 2018.
- Changes to NAFTA are being monitored closely.
- Consistent expectations on interest rate in Canada and the US. Canada cannot sustain large spread for long period of time.
- Canada leader in GDP growth; September performance of Canadian equity markets improved.
- Inflation increasing at positive rate which is the signal of the end of economic cycle. Impact on higher inflation numbers include:
    - Wage pressures and commodity numbers.
    - Retail environment (competition, price-checking, peer-to-peer networks).
- Need to increase interest rates to prevent next recession.
- SRA is positioned for increased interest rates; value-type stocks are doing well.

4.0 New Business

4.1 Post-retirement marriage breakdown - division of pension (attachment)

- A Kulyk of Eckler presented a potential amendment to the Plan for members who have opted for the 'joint survivor pension'.
- Proposed revision - separating the member's retirement pension into two plans with separate calculations in the event of a post-retirement marriage breakdown.

- The proposed change is due to address ex-spouses continuing to be linked when the member dies. This proposed change would remove links with the ex-spouse as that pension would have a separate fund.
- This type of Plan change should be cost-neutral however that is not certain.
- The Trustees raised various concerns.
    - The ex-spouse will be disadvantaged after the member passes away. Regardless of post-retirement marriage breakdown, the original intent of opting to 'joint survivor pension' was to provide income for both the member and spouse.
    - The Plan member remarrying poses further challenges.
    - The Trustees need additional information to understand the impact and implications of this type of change and requested a document with outcomes clearly stated which outline scenarios and examples with rationale for the change in comparison to the current Plan.
    - This type of Plan Change would need to be approved by BUFA and discussed with members of the Plan. It will be difficult to engage retired members of the Plan.
- Eckler will provide the Trustees with additional material for consideration and discussion at a future meeting. At that time, should the Trustees support the change, they would determine the next steps for engaging with BUFA and Plan members. Eckler has previously hosted education sessions in conjunction with Human Resources the past which could be an option as well.

4.2 Pension funding reform

- There have been no updates this year from the Government of Manitoba.
- Government of Ontario formalized governance and policies and held a press release.
- Province of Quebec has conducted solvency funding reform; Alberta and British Columbia are also reviewing.

4.3 Mortality improvement scale MI-2017

- Two actuary studies were conducted in 2014 using information obtained from Statistics Canada (old age security, etc). These are adopted by the actuarial industry.
- Rates of mortality are expected to improve due to longer life spans. However, 2015 data shows that rates of mortality worsened. It must be determined whether this is a trend and what implications it would have on pension plans.
- Additional research may be undertaken on the rate of improvement of life expectancies.

4.4 Trustee Education Session - Actuarial Valuations (attachment)

- A Kulyk of Eckler provided an Education Session to Pension Trustees

5.0 Correspondence

Motion: Moved and Seconded (S Lamont/K MacDonald)

BE IT RESOLVED THAT THE Brandon University Pension trustees approve the payment after the fact of the invoices from agenda items 5.1 through 5.3.

CARRIED

6.0 For Information

6.1 Pension Trustee Information

- Revised membership list was distributed to the Pension Trustees.

7.0 2018 Meeting Dates

To be determined

8.0 The meeting was adjourned

FOURTH QUARTER 2017 REVIEW

Lori Satov

February 12, 2018

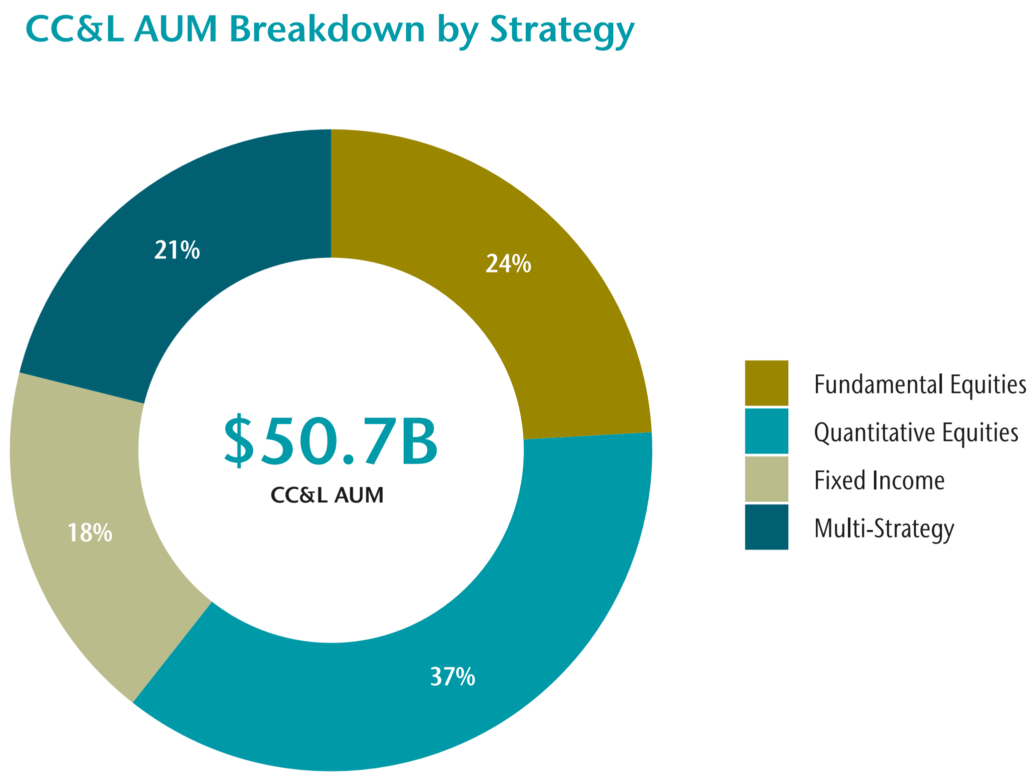
Brandon University Retirement Plan

CC&L ORGANIZATIONAL UPDATE

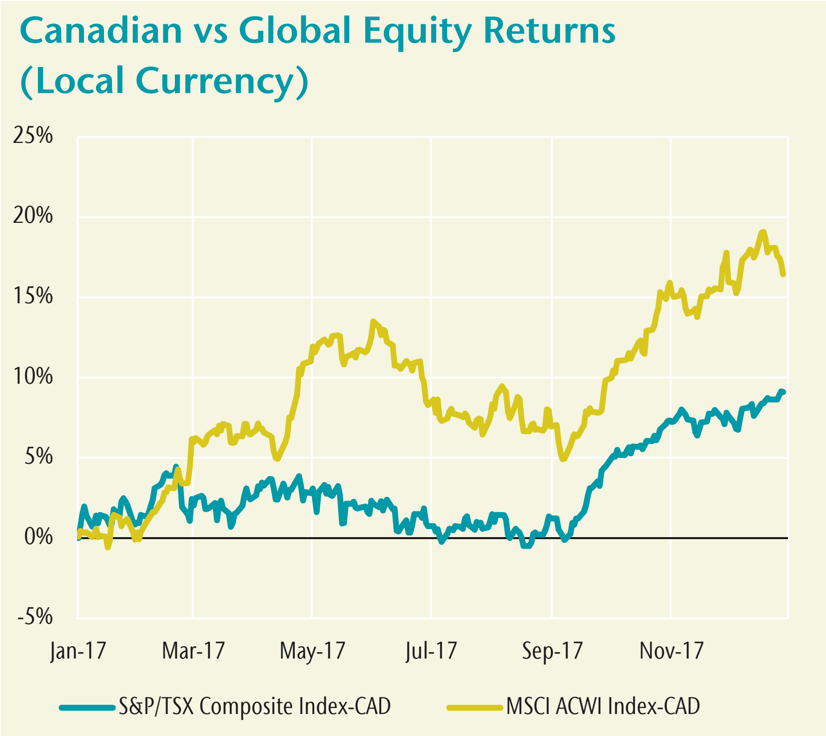
December 31, 2017

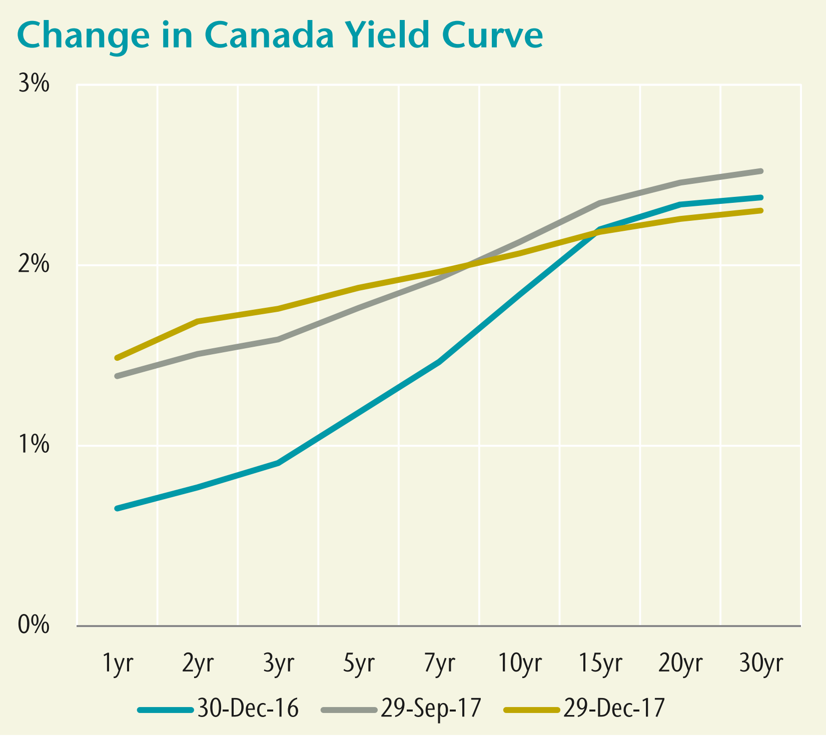
OWNERSHIP

- No changes to structure
- Partner-owned
- Succession plan



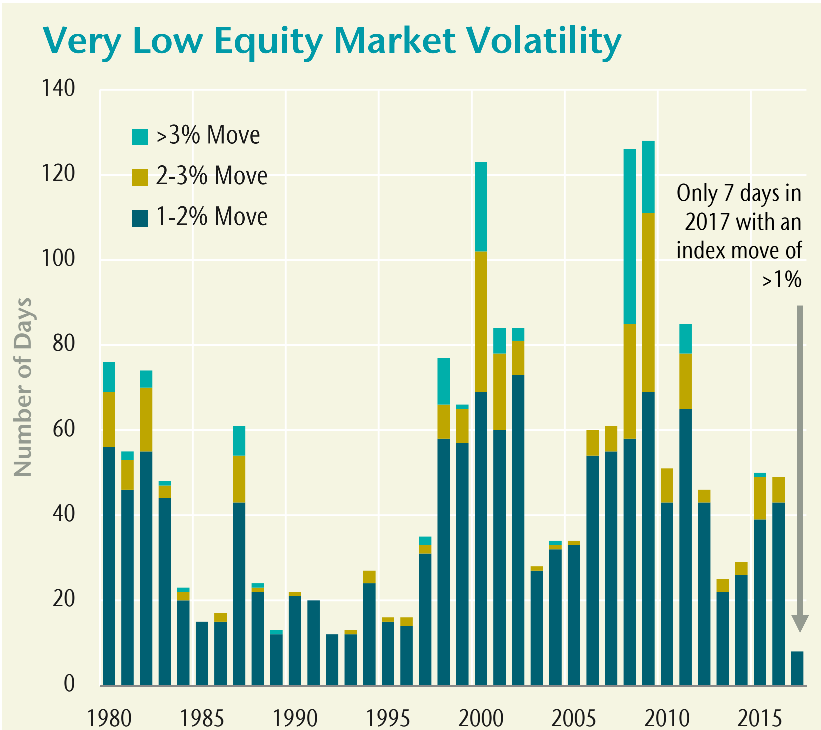
FINANCIAL MARKETS POST SOLID GAINS





Source: Thomson Reuters Datastream, MSCI Barra

LOW VOLATILITY ENVIRONMENT



Risk Considerations

- Geopolitics
  - » North Korea
  - » Iran
- US Politics
  - » NAFTA renegotiations
  - » Washington turmoil
- European Politics
  - » Catalonia
  - » Brexit negotiations
- Monetary Policy
  - » Quantitative tightening
  - » Policy misstep

Source: Bloomberg, LPL Financial

INVESTMENT PERFORMANCE

	2017 (%)	Annualized Returns to December 31, 2017 (%)					
	Q4	1 yr	2 yr	3 yr	4 yr	5 yr	10 yr
Brandon University Retirement Plan	**5.1**	**11.5**	**10.0**	**8.0**	**8.3**	**9.9**	**6.6**
Benchmark*	5.1	11.0	10.0	7.7	8.3	9.2	6.0
Added Value	**0.1**	**0.5**	**0.0**	**0.4**	**0.0**	**0.8**	**0.5**
Fixed Income	**5.0**	**6.6**	**4.7**	**4.4**	**5.5**	**4.3**	**5.5**
CC&L Long Bond Fund	5.2	6.8					
FTSE TMX Canada Long Term Overall Bond Index	5.2	7.0					
CC&L High Yield Bond Fund	0.9	3.1					
High Yield Benchmark**	1.0	4.0					

All returns are gross of fees. Added Value may differ due to rounding to one decimal.

*25% S&P/TSX Composite Index & 15% S&P500 Index (CAD$) & 15% MSCI EAFE Index (CAD$) & 5% MSCI Emerging Markets Net (CAD$) & 1.5% Merrill Lynch US High Yield Cash Pay BB Index (CAD$) & 1.5% Merrill Lynch US High Yield Cash Pay BB Index (USD$) & 35% FTSE TMX Canada Long Term Overall Bond Index & 1.5% FTSE TMX Canada Corporate BBB Bond Index & 0.5% Merrill Lynch Canada BB-B High Yield Index

**30% Merrill Lynch US High Yield Cash Pay BB Index (CAD$) & 30% Merrill Lynch US High Yield Cash Pay BB Index (USD$) & 30% FTSE TMX Canada Universe

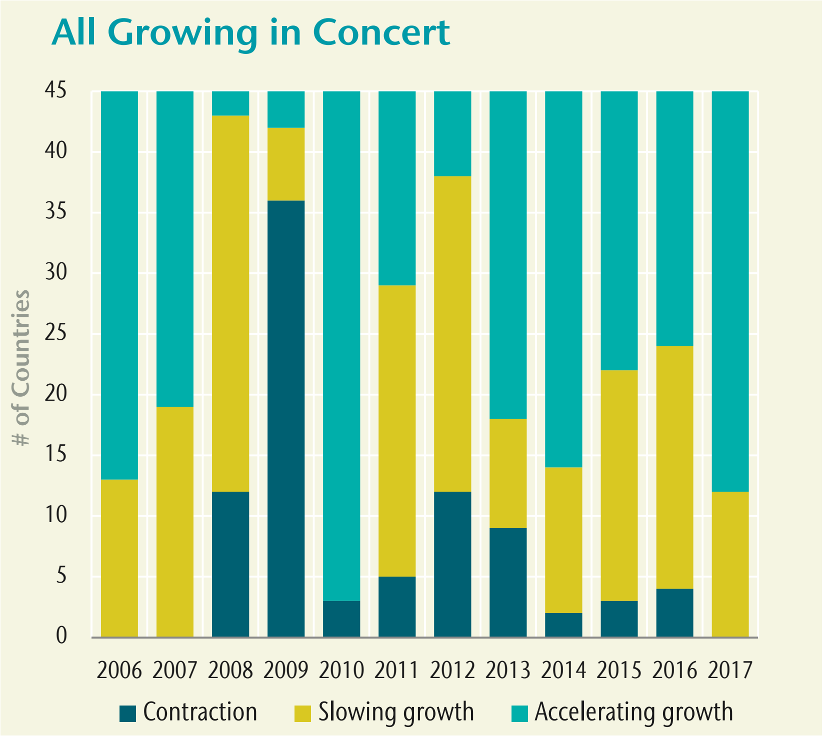
INVESTMENT PERFORMANCE CONT'D

	2017 (%)	Annualized Returns to December 31, 2017 (%)					
	Q4	1 yr	2 yr	3 yr	4 yr	5 yr	10 yr
Canadian Equities	**4.8**	**10.4**	**16.0**	**7.8**	**7.7**	**10.0**	**5.6**
CC&L Q Equity Extension Fund	4.1	11.7	16.9	10.0	11.1	14.3	8.7
SRA Canadian Equity Fund	5.4	11.1	19.2	9.5	8.1	9.3	5.1
PCJ Canadian Equity Fund	4.9	8.5	13.4	6.2	6.7	8.8	5.0
S&P/TSX Composite Index	4.5	9.1	14.9	6.6	7.6	8.6	4.6
Global Equities	**5.5**	**17.4**	**8.7**	**13.1**	**13.0**	**18.0**	**8.6**
MSCI World ex-Cda Index (CAD$)	5.9	15.2	9.4	13.0	13.6	17.9	8.3
NS Partners International Equity Fund A	4.8	17.9	4.0	10.3	8.2	12.4	4.7
MSCI EAFE (CAD$)	4.5	17.4	7.2	11.2	9.4	13.5	4.9
CC&L US Equity Fund	5.6	11.6	10.6	13.9	16.0	21.7	11.4
S&P500 Index (CAD$)	6.8	13.8	10.9	14.4	16.7	21.2	11.1
CC&L Q Emerging Markets Equity Fund	7.8	34.1					
MSCI Emerging Markets Net	7.6	28.3					

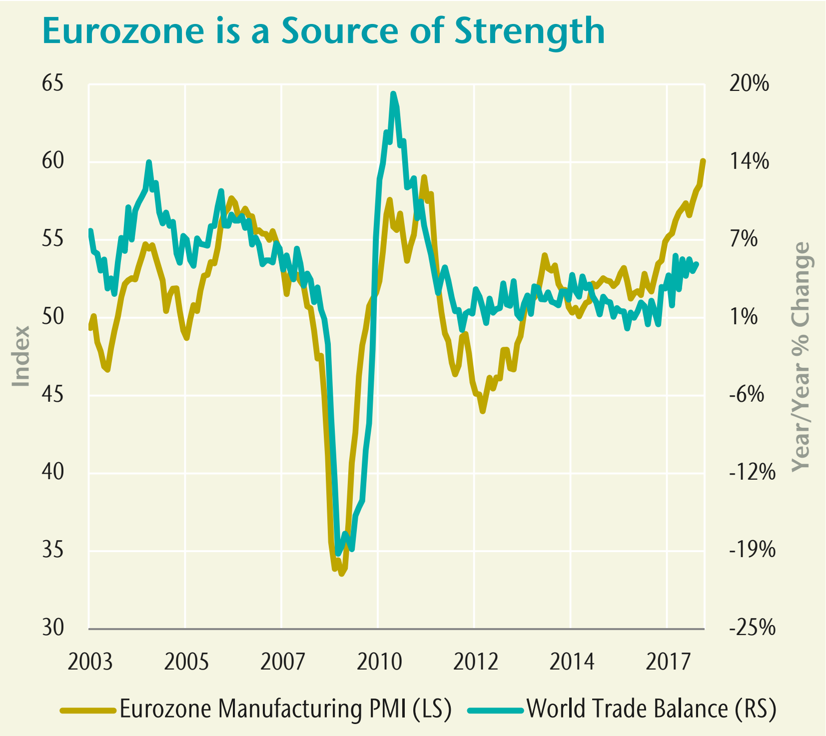
All returns are gross of fees. Added Value may differ due to rounding to one decimal.

ECONOMIC OUTLOOK

AS GOOD AS IT GETS - GLOBALLY



Source: Organisation for Economic Co-operation and Development



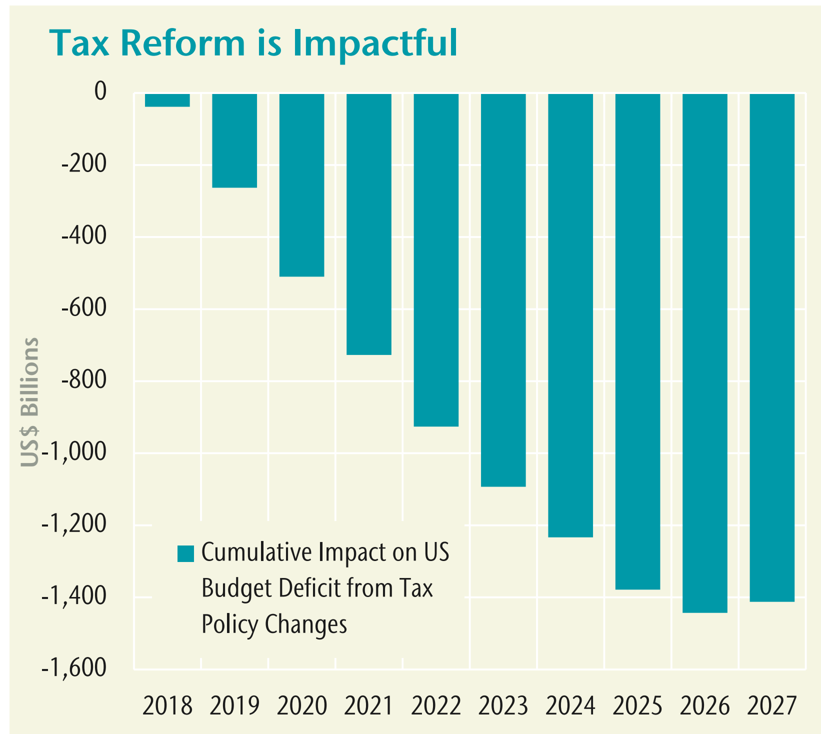
Source: Markit, CPB Netherlands Bureau for Economic Policy Analysis

Largest economies growing, leading to positive growth cycle

BUT SOME PRESSURE POINTS - GLOBALLY

Global Risks

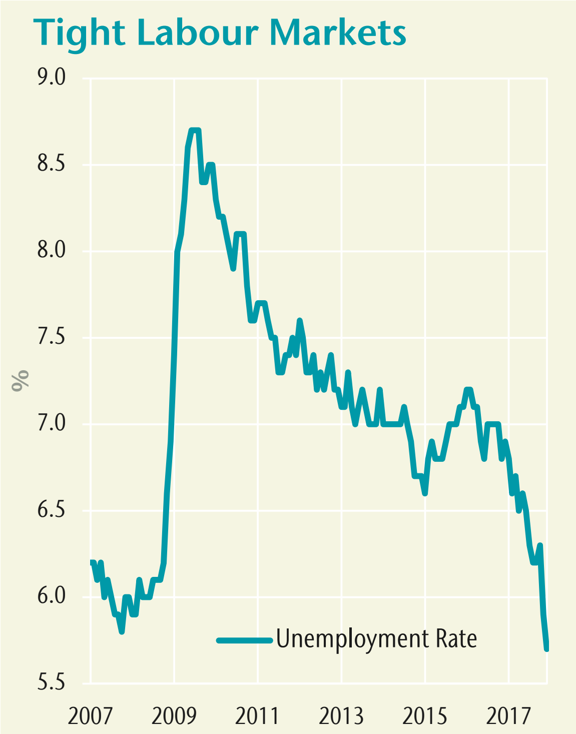
- US political polarization
- Protectionism: NAFTA
- Brexit negotiations
- Geopolitical risks
- North Korea



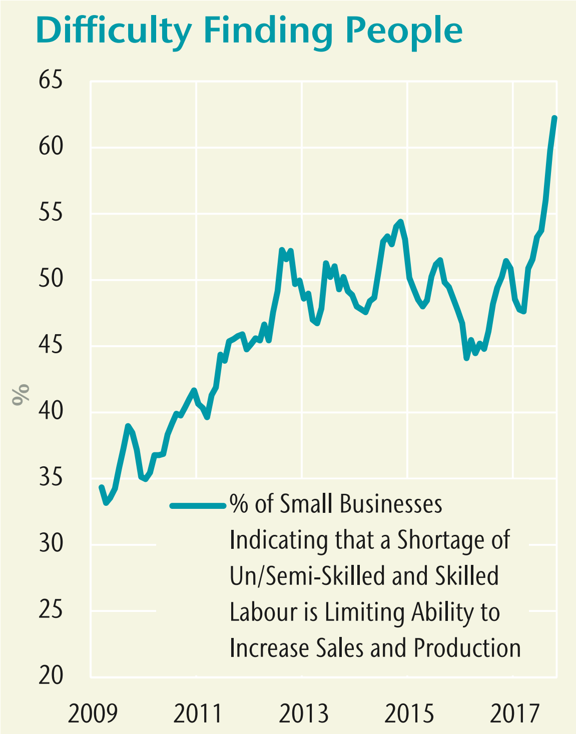
Source: Congressional Budget Office

At this late stage of the cycle, fiscal policy is not optimal

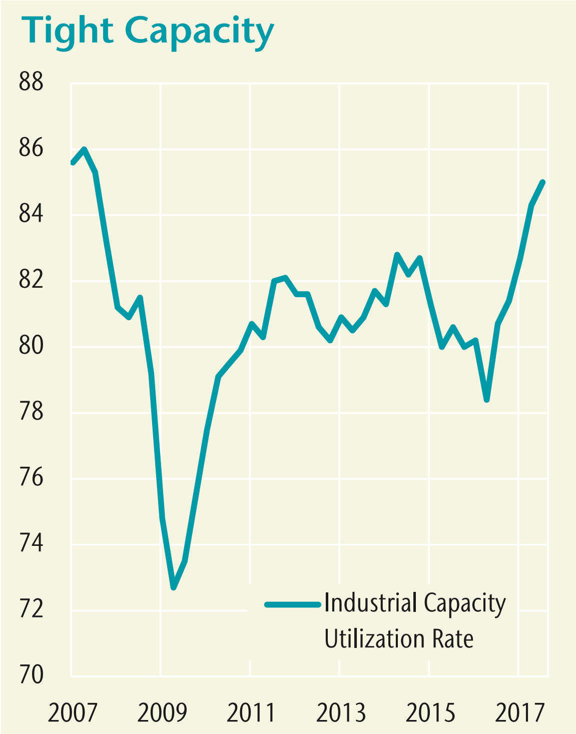
AS GOOD AS IT GETS - DOMESTICALLY



Source: Statistics Canada, Thomson Reuters Datastream



Source: Canadian Federation of Independent Business (CFIB), Haver Analytics



Source: Statistics Canada, Thomson Reuters Datastream

Canadian growth is leading to tight markets

BUT SOME PRESSURE POINTS - DOMESTICALLY

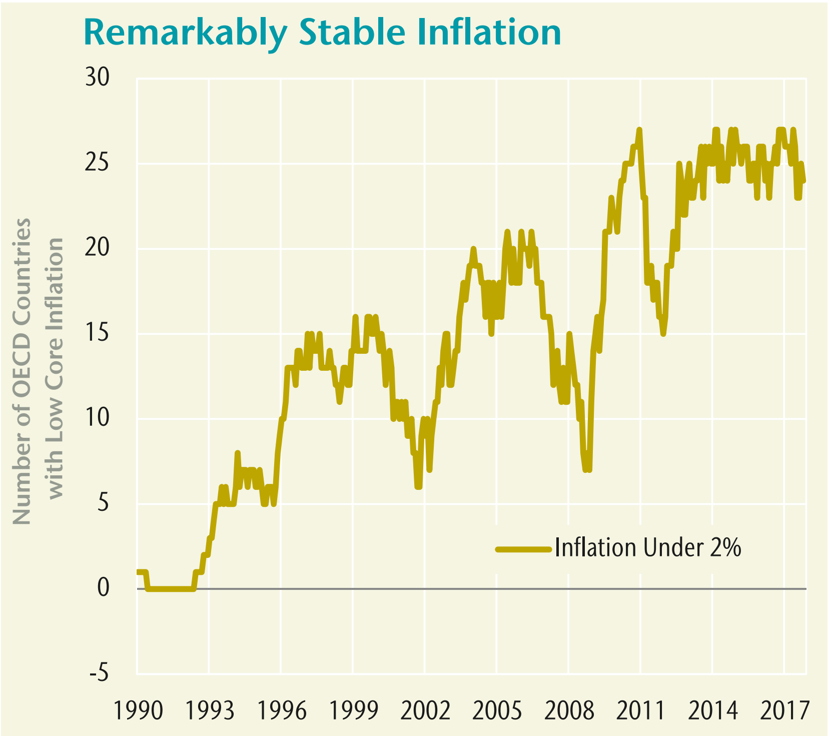
NAFTA

- Headlines to dominate through Q1
- Points of contention are numerous
- C-US FTA or WTO trade rules to apply
- GDP would see minor direct impact, but indirect would be more important

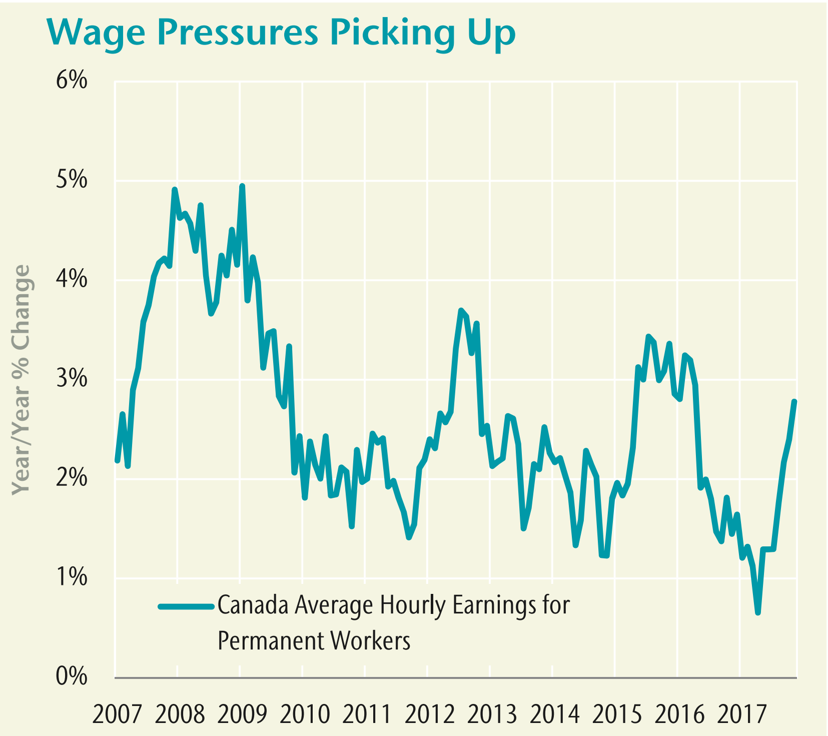
OSFI's New B20 Mortgage Rules

- Will reduce borrower's access to mortgage market
- May result in more borrowing from unregulated lenders

INFLATION LOW EVERYWHERE FOR NOW



Source: Organization for Economic Co-operation and Development

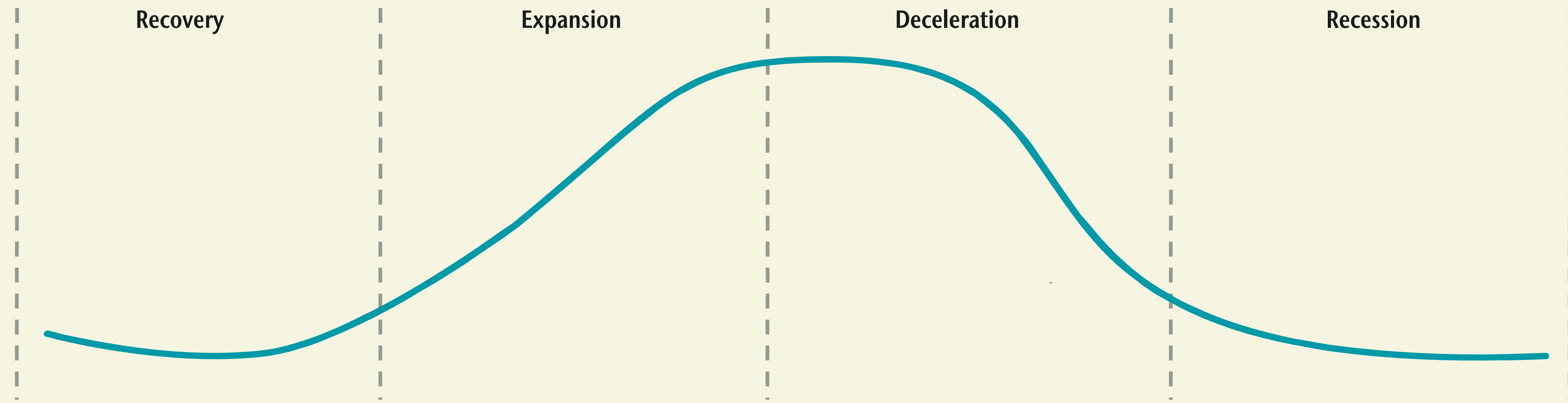


Source: Statistics Canada, Thomson Reuters Datastream

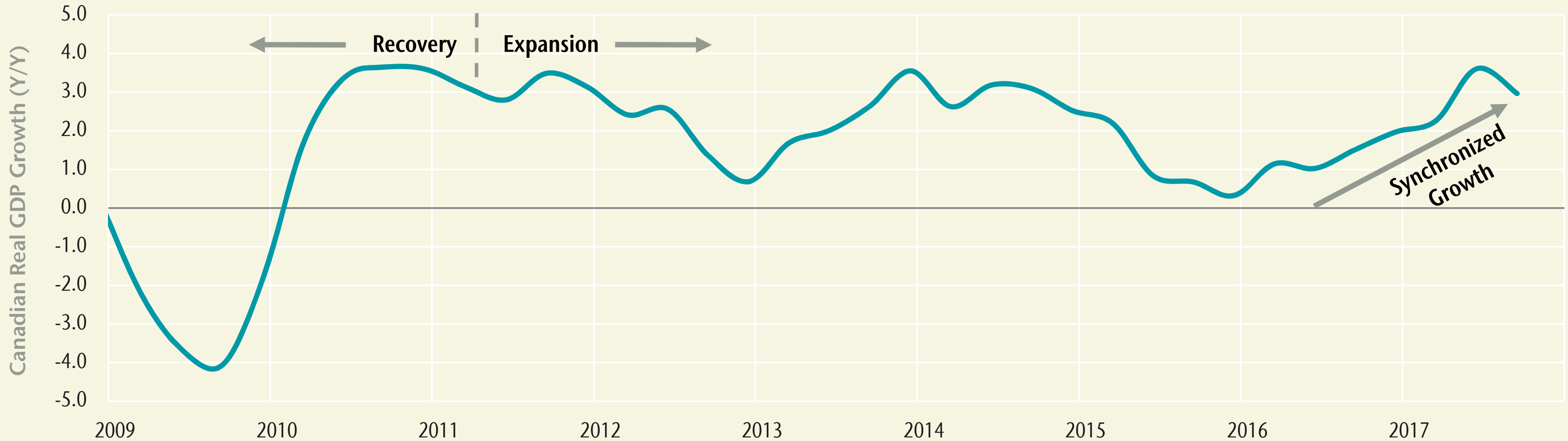
Input costs are rising, but not in consumer prices yet

SHIFT TO LATE CYCLE ENVIRONMENT

Typical Cycle



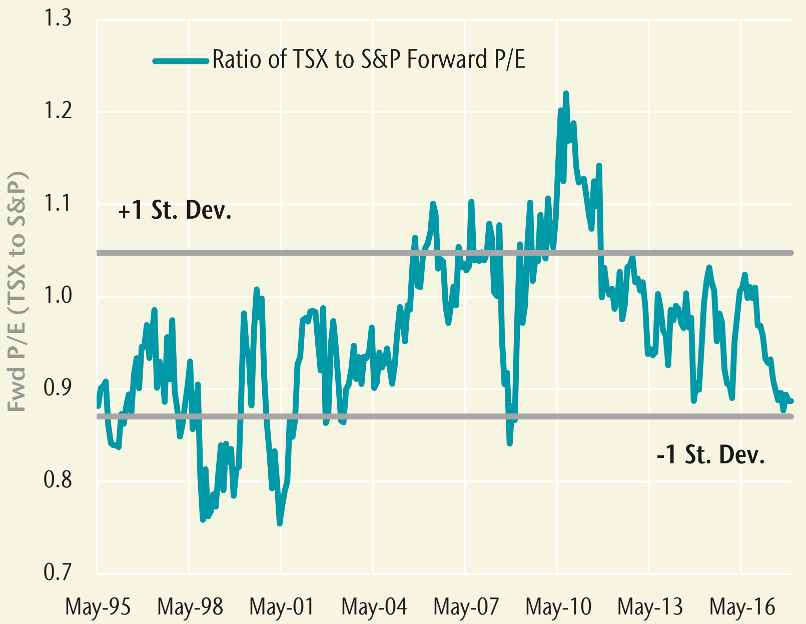
Current Cycle



Source: Statistics Canada

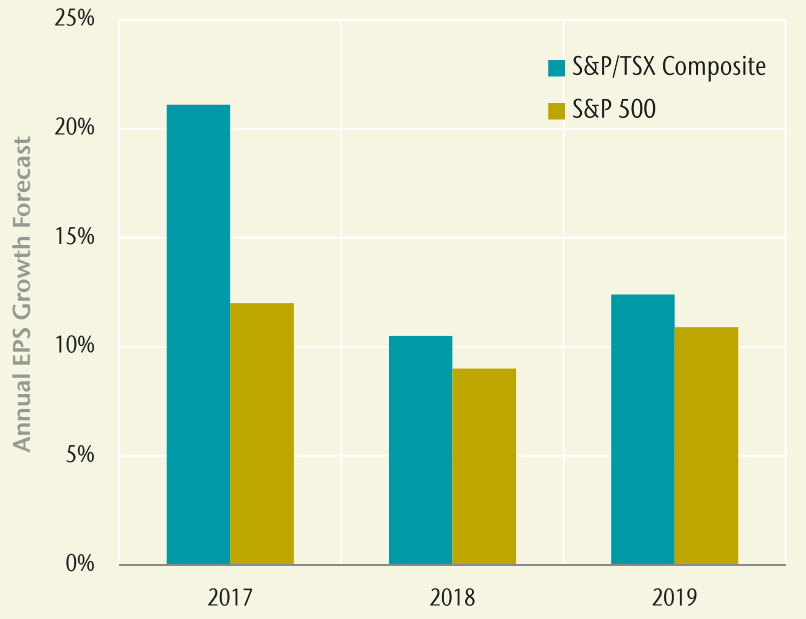
CANADIAN STOCKS AT LARGE DISCOUNT

Canadian Stocks Trading at Large Discount



Source: Connor, Clark & Lunn Investment Management Ltd., Strategas Research Partners, Robert Shiller Online Data Bank, Scotiabank Global Banking and Markets

Earnings Growth Expected to Continue



Source: CPMS Consensus Estimates, TD Securities, Scotiabank Global Banking and Markets, Bloomberg

FINANCIAL MARKET OUTLOOK

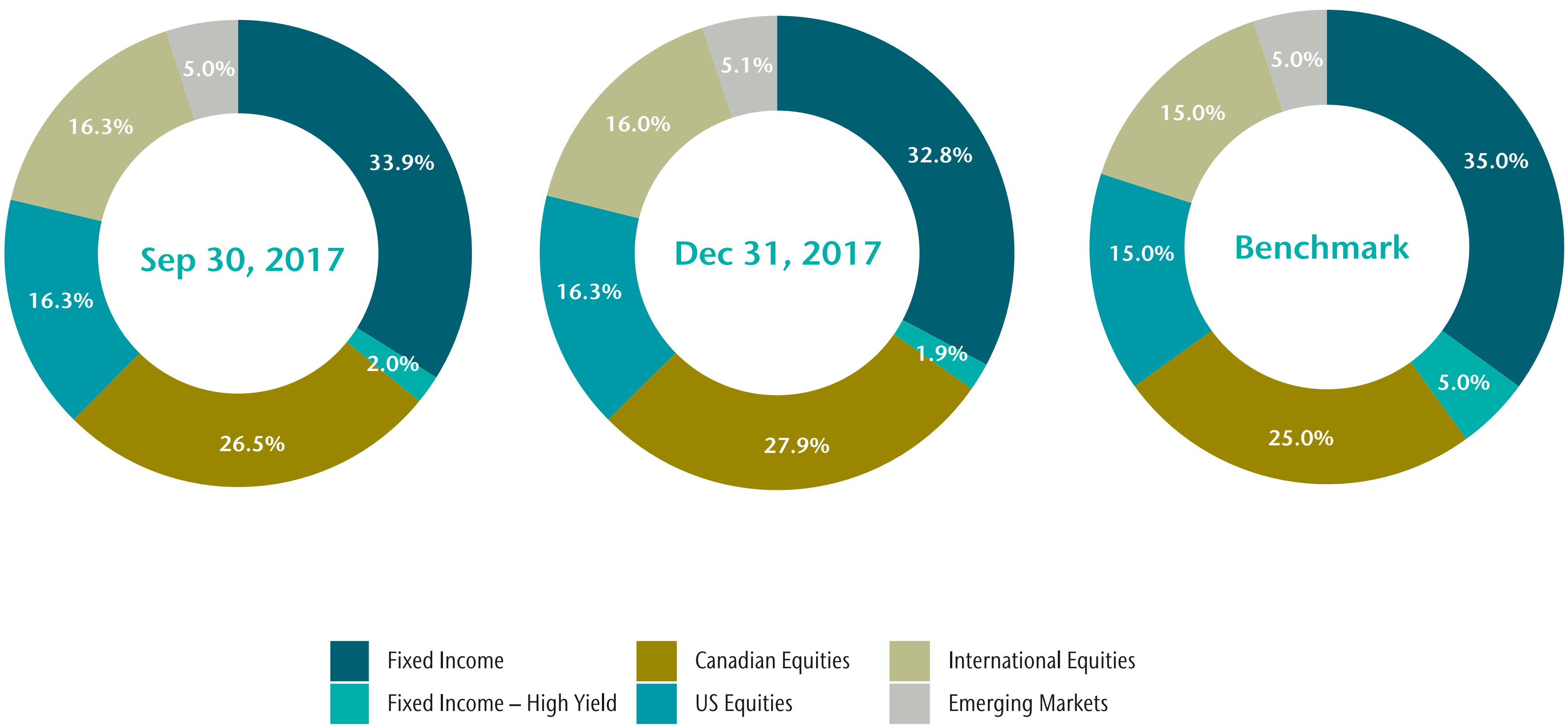
Macro Summary

- Global economic growth is strong
- Getting US fiscal policy at the wrong time – monetary policy could offset stimulus
- Inflation remains benign for now

Implications

- Canadian growth to decelerate with high debt levels constraining consumer spending
- With both unconventional and traditional forms of tightening at play, policy errors are a risk
- We are in late part of business cycle, but still positive on risk assets for now

PORTFOLIO STRUCTURE – ASSET MIX STRATEGY



Source: Connor, Clark & Lunn Financial Group Ltd.

INVESTMENT STRATEGY

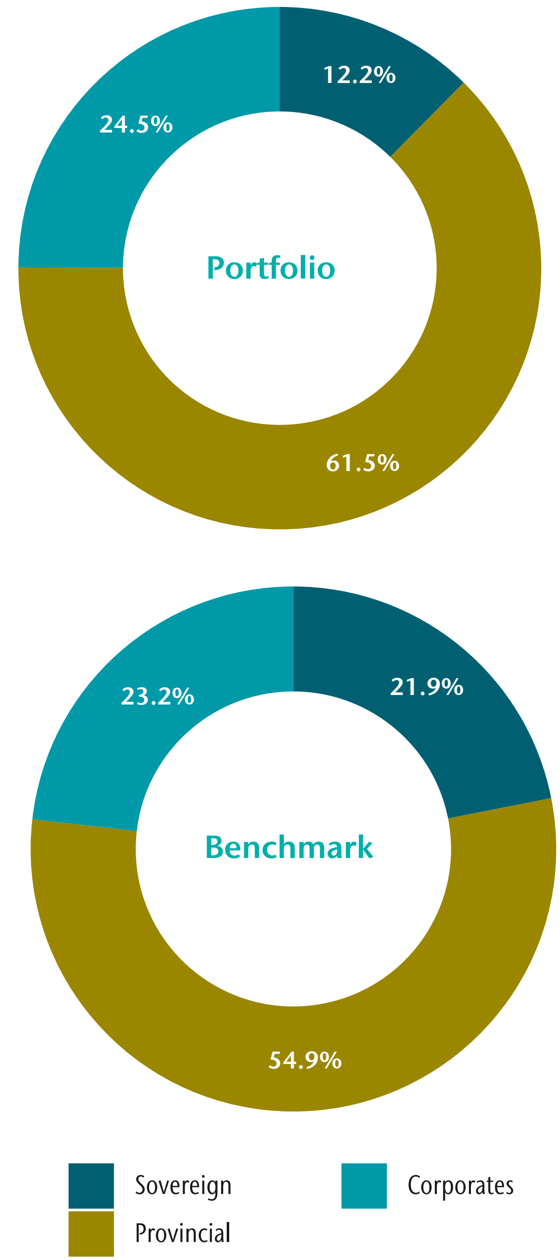
Q4 FIXED INCOME STRATEGY REVIEW

Investment Themes

- Interest rates
  - » Short rates
    - – Canada and US policy tightening to continue
    - – Canadian rates moved too far
  - » Longer rates
    - – best economic year and rates still under downward pressure

- Yield curve
  - » Flattening may be overdone

- Credit
  - » Raising exposure, but favouring provincials and higher quality issuers



Q4 HIGH YIELD BOND STRATEGY REVIEW

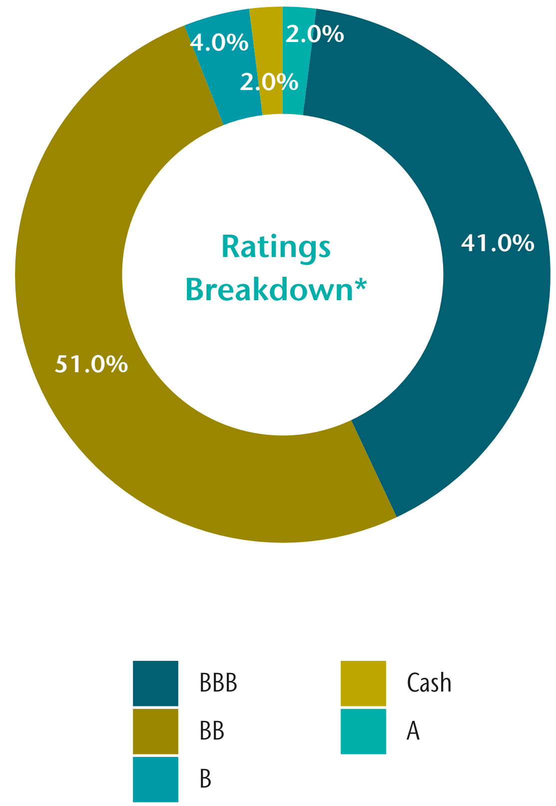
As of December 31, 2017

REVIEW

- Spreads ended quarter nearly unchanged
- Energy prices rose in Q4 supporting spreads
- US retail sector still under strain

STRATEGY

- US tax reform will support near term sentiment
- Some risks: Canada specific, cyclical inflation, corporate debt, reduction in central bank balance sheets
- Exposure focused on higher quality names



Effective Portfolio Yield	4.01%
Weighted Average Maturity	7.24 years
Weighted Average Rating	BBB Low

* As of December 31, 2017

Q4 CANADIAN EQUITY STRATEGY REVIEW

PCJ – Growth Strategy

- Transition to rising rate environment driven by accelerating global growth:
  - » Underweight defensive sectors (telecom and utilities)
  - » Overweight banks due to steeper yield curve and deregulation
  - » Overweight base metals lumber, and industrials (railway, airline, infrastructure, heavy machinery)

SRA – Value Strategy

- Portfolio positioned to benefit from strong U.S. economic growth and rising rates
  - » Overweight base metals, fertilizers, banks and consumer discretionary sectors
  - » Avoiding overvalued perceived safety stocks: pipelines, utilities, and REITs

CC&L Q Equity Extension Fund

- Portfolio risk below target levels
- Industry-level insights remain low

Q4 US/INTERNATIONAL/EM STRATEGY REVIEW

CC&L – US

- Reduced all active exposures with exception of healthcare
- Overweight in technology was substantially reduced

NS Partners – International

- Expect global economy to be strong in early 2018 slowing down as year progresses
- Shifting to quality defensive names with high return on capital
- Looking for companies that will benefit from automated factory production, Asian tourism, and auto technology

CC&L – Emerging Markets

- Reduced industry momentum exposure due to higher risk assessments and low investment opportunity
- Added to consumer staples due to improved outlook for the sector

APPENDIX

BRANDON UNIVERSITY RETIREMENT PLAN CASH FLOWS

September 30, 2017 Market Value	**$**	**177,595,875.47**
Contributions	$	1,065,093.67
Withdrawals	$	(3,112,843.51)-
Investment Gains	$	9,099,872.54
December 31, 2017 Market Value	**$**	**184,647,998.17**

Total Rate of Return	**5.130%**

Investment Management Fees:	$	126,621.99

www.cclinvest.com | more_info@cclgroup.com

CONNOR, CLARK & LUNN
INVESTMENT MANAGEMENT

Brandon University Retirement Plan

Report to the Board of Trustees

Annual Audit Plan

For the year ended December 31, 2017

To the management and the Board of Trustees of Brandon University Retirement Plan:

We are pleased to present a summary description of our plan for the annual audit of the transactions and financial statements of the Brandon University Retirement Plan for the year ending December 31, 2017.

This report is intended for the use of management and the Board of Trustees of the Brandon University Retirement Plan and provides information on our audit mandate and objectives, our responsibilities as auditor in relation to the responsibilities of the Board of Trustees and management, the significant audit areas identified and our plans to address them, a description of information we intend to report to you at the conclusion of the audit, and other relevant matters.

We look forward to working with management and the Board of Trustees and are available for consultation at any time. During your upcoming meeting, we will be pleased to discuss any matters of interest and provide any additional information relating to the audit that you may require.

Yours sincerely,

Brendan Thiessen, CPA, CA
Principal

Table of Contents

What's changed from the previous year

Accounting standards

New and revised accounting standards effective for this year are outlined in Appendix F. As part of our audit, we will review management's assessment of the new accounting standards and conduct relevant audit procedures on the changes to the financial statements.

Auditing and other professional standards

New and revised auditing and other professional standards relevant to our audit are outlined in Appendix F.

Audit mandate

The Board of Trustee has appointed the Auditor General of Manitoba the auditor of the Brandon University Retirement Plan.

We have appointed BDO Canada LLP to act as our agent in performing the audit. They will report to us, and we will review their work, throughout the audit.

Audit scope

Objectives

Our primary responsibility is to form and express an opinion on the financial statements based on an audit. The financial statements are prepared by management with the oversight of those charged with governance (the Board of Trustees). An audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

We will conduct 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, but not absolute assurance, on whether the financial statements are free of material misstatement, including those misstatements caused by fraud or error.

In accordance with section 10(2) of The Auditor General Act, we will consider whether, during the course of our examination, we have become aware of any "other matters" that, in our opinion, should be brought to the attention of the Legislative Assembly.

The objectives of the annual audit are to provide an independent opinion on whether:

- the financial statements present fairly, in all material respects, the financial position of the Brandon University Retirement Plan as at December 31, 2017, and the changes in net assets available for benefits and changes in pension obligations for the Plan for the year then ended in accordance with Canadian public sector accounting standards for pension plans.

Terms of the engagement

As required by our professional standards, we periodically obtain a written confirmation from management outlining our common understanding of, and our agreement on, the terms of the engagement for this audit. A copy of our most recent engagement letter is included in Appendix C. We will be pleased to discuss matters of interest relating to the terms of the engagement that you may require.

Our audit approach

Overview

Our audit is conducted in accordance with Canadian generally accepted auditing standards (Canadian GAAS). Our audit approach is designed to allow us to execute a good quality and efficient audit. We do this by:

(a) gaining an understanding of the organization and its environment by focusing on new developments and key business issues affecting the organization, as well as management's monitoring of controls and business processes.

(b) identifying significant audit-related risks, sharing our perspectives, obtaining your feedback, and ensuring our audit is tailored to these risks.

(c) using specialists as required, to assist in our audit.

(d) using well-reasoned professional judgment, especially in areas that are subjective or that require estimates.

(e) leveraging reliance where possible on the organization's internal control, information technology, and data systems; and

(f) relying on the work of internal audit where practicable.

Our approach will include a mixture of substantive analytics, and detailed testing. Our understanding of the organization drives our assessment of materiality and the identification of audit-related risks.

Throughout the audit, we scale our work based on the size of an account balance, its complexity, and its impact on the financial statements.

Risk analysis

We have identified the following significant audit risks and other risks, including business risks with a potential audit impact, as part of our planning process.

Your input on the following risks is requested, including whether there are any other areas of concern that you have identified.

Investments
Background/Risk
The Plan's investments are the most significant asset class and are carried at fair value. CIBC Mellon is the custodian of the investments and Connor, Clark & Lunn Investment Management Ltd is the Investment Managers for the Brandon University Retirement Plan. They provide the fair value of investments based on International Financial Reporting Standards (IFRS 13).
Our planned response
• We will confirm balances, including cost and fair value, with the custodian and investment manager. • We will use the CSAE 3416 Audit Report on Controls at a Service Organization (CIBC Mellon - custodian). • We will review reconciliations – manager to custodian to general ledger. • We will compare fair values reported by the custodian and the investment manager.

Pension Obligations
Background/Risk
Obligations for pension benefits are the most significant liability of the Plan and are determined using an actuarial valuation. The valuation is used as an accounting estimate and requires significant management judgment regarding the assumptions adopted, including the discount rate.
Our planned response
• We plan to use the work of the Plan's actuaries; we will perform an assessment of the reasonableness of the actuarial assumptions and changes in actuarial gains and losses. • We will review the plan data provided to the actuaries. • We will review the reasonableness of the actuary's output. • We will make the necessary inquiries of the actuary to assess the risk of an error.

Risk of Fraud in Revenue Recognition
Background/Risk
Auditing standards assume that there is a rebuttable presumption that there is a significant risk of fraud in revenue recognition in all business.
Our planned response
• We will update our understanding of the potential risks of fraud in revenue recognition.

Risk of Fraud in Revenue Recognition
• We will understand and evaluate the internal controls over revenue recognition. • We will obtain substantive evidence related to the specific risk of fraud in revenue recognition. • We will test journal entries related to revenue recognition.

Management Override of Controls
Background/Risk
Auditing standards require that the risk of material misstatement due to management override of controls be considered a significant risk on every audit engagement (CAS 240.31).
Our planned response
• We will update our understanding of the internal controls designed to prevent and detect fraud, and determine whether they have been implemented. • We will test a sample of journal entries and other adjustments for evidence of the possibility of material misstatement due to fraud. • We will review accounting estimates for biases that could result in a material misstatement due to fraud. • We will include an element of unpredictability in audit procedures.

Materiality

We have set our preliminary materiality for the audit as follows:

	Basis	December 31, 2017
Overall materiality	1% of anticipated net assets for the year	$1,600,000
Unadjusted and adjusted items in excess of this amount will be reported to the Trustees	5% of overall materiality	$80,000

Our materiality calculation is based on current forecasted results. Should there be a significant change, we will communicate any changes at year-end.

Fraud and error

Canadian GAAS requires us to discuss fraud risk annually with those charged with governance. We understand that part of your governance role is also to consider the fraud risks facing the organization and the responses to those risks.

At our upcoming meeting, we plan to discuss the following questions in connection with your oversight of management's process for identifying and responding to the risks of fraud:

- What are your views about fraud risks in the organization?
- How do you provide effective oversight over management's process for identifying and responding to fraud risks, including programs and controls to prevent, detect, and deter fraud?
- Are you aware of any instances of actual, suspected, or alleged fraud, including misconduct or unethical behaviour related to financial reporting or misappropriation of assets? If so, how have the allegations been addressed?
- Are you aware of tips or complaints regarding the organizations financial reporting (including those received through any internal whistleblower program) and, if so, what are the responses to such tips and complaints?

If you become aware of any actual, suspected, or alleged fraud affecting the organization, please disclose the matter to us as soon as practicable.

If, at any point throughout the audit, we become aware of suspected fraud involving management, employees who have significant roles in internal controls, or other cases where fraud results in a material misstatement in the financial statements, we will promptly inform you. We will also communicate any other matters related to fraud that are, in our judgment, relevant to your responsibilities.

Reliance on internal control

We have assessed the overall control environment and the control activities relevant to the audit of the Brandon University Retirement Plan. We will not be using a controls-reliant approach as a substantive approach is more efficient.

We will update this information as appropriate when we report back to you at the end of the audit.

Audit management

Audit team

The audit will be completed by a team composed of senior personnel from our Office and BDO who are involved in the planning, coordination, and direction of the audit and staff members who perform detailed procedures during our on-site visits. The Auditor General of Manitoba is consulted by the audit team on sensitive, complex, and/or difficult issues.

The Audit Principal is responsible for audit quality and ensures that audits are carried out in compliance with Office policies, professional standards, and the Office's system of quality control.

Senior staff involved in this year's audit includes:

OAG Team

Norm Ricard, Auditor General

Tyson Shtykalo, Deputy, Auditor General

Greg MacBeth, CPA, CA, Assistant Auditor General, Professional Practice and Quality Assurance

Brendan Thiessen, CPA, CA, Audit Principal

BDO Team

Todd Birkhan, CPA, CA, Client Service Partner

Rachel Waldner, CPA, CA, Senior Manager, Detailed Reviewer

Brendan White, Audit Senior

Audit timetable

After consulting with management, we have established the following timetable that highlights the timing of the audit's major activities.

Board of Trustees Meeting—presentation of audit plan	February 12, 2018
Interim Audit	N/A
Year-end Audit	March 12, 2018 to March 16, 2018
Clearance meeting with management	May 18, 2018
Board of Trustees Meeting—presentation of audit results[1]	June 7, 2018
Review of Annual Report	August 2018

[1] At the Board of Trustees Meeting—presentation of audit results—we will provide to the Trustees our draft audit opinion, key findings (particularly, regarding significant estimates, transactions, accounting policies and disclosures), any significant deficiencies identified in internal controls, and a confirmation of our independence.

Audit costs

Costs incurred in completing an audit can be significant. These costs include the salaries and benefits of professional staff, travel and other direct costs, consultation with specialists, administrative support, as well as general overhead. Our costs are paid from an annual appropriation from the Province and any fees we collect are paid back to the Province.

As authorized by our Act, we charge a fee for the professional services that make up the audit of the Brandon University Retirement Plan. We charged $8,150 before taxes to the Brandon University Retirement Plan in the prior year for our audit of the financial statements. For this year's audit, we estimate our audit fees will be $8,300 before taxes.

Our ability to complete the audit on time and on budget will be significantly affected by the quality and the level of support we receive from the organization's management.

Appendix A—Understanding our audit

Overview

In conducting an audit of financial statements, the overall objectives of the auditor are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, thereby enabling the auditor to express an opinion on whether the financial statements are prepared, in all material respects, in accordance with an applicable financial reporting framework; and
- report on the financial statements, and communicate as required by professional auditing standards, in accordance with the auditor's findings.

Background and additional information concerning our audit is set out below.

Risk analysis

Our audit is risk based, meaning:

- We identify and assess risks of material misstatement or non-compliance with significant authority instruments based on our understanding of the entity and its environment, including the entity's internal control.
- We design and implement audit procedures based on our risk assessment.

We identify and assess the risks of material misstatement at the:

(a) financial statement level; and

(b) assertion level for classes of transactions, account balances, and disclosures.

Risk assessment procedures include the following:

- inquiries of management, of appropriate individuals within the internal audit function (if the function exists), and of others within the entity who in our judgment may have information that is likely to assist in identifying risks of material misstatement due to fraud or error.
- analytical procedures.
- observation and inspection.
- whether information obtained from our acceptance or continuance process is relevant to identifying risks of material misstatement.
- information obtained from other engagements we have performed regarding the organization.

Having completed a risk assessment, our objective is to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement, through designing and implementing appropriate responses to those risks.

Materiality

We apply the concept of materiality when planning and performing our work. Materiality represents our judgment on the degree of significance of a misstatement(s) that could influence the decision of a knowledgeable user relying on the financial statements. In determining materiality, both quantitative and qualitative factors are considered.

The quantitative measure of materiality; however, is not the only factor we consider in evaluating misstatements. Relatively small misstatements may have material effect on the financial statements because of qualitative considerations. For example, misstatements that have the effect of altering performance trends, turning operating losses into operating income, or that increase management's compensation could be considered material, even though they might be less than our quantitative measure of materiality.

Auditor's responsibilities for detecting fraud

Our objectives regarding fraud are to:

- identify and assess the risks of material misstatement of the financial statements due to fraud.
- obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and
- respond appropriately to fraud or suspected fraud identified during the audit.

When planning and conducting the audit, we consider the possibility that fraud or error, if sufficiently material, may affect our opinion on the financial statements. Accordingly, we maintain an attitude of professional skepticism throughout the audit, recognizing the possibility that a material misstatement due to fraud could exist.

In order to fulfill our responsibilities related to fraud, we perform the following procedures:

- Inquire of management, internal audit, those charged with governance, and others about knowledge of fraud or suspected fraud, the fraud risk assessment process, and how fraud risks are addressed.
- Inquire about matters raised from procedures for complaints regarding accounting, internal accounting controls, or auditing matters.
- Perform disaggregated analytical procedures, primarily over revenue, and consider unusual or unexpected relationships identified in planning the audit.
- Incorporate an element of unpredictability in the selection of the nature, timing, and extent of our audit procedures.
- Perform additional required procedures to address the risk of management's override of controls, including:
  - evaluating internal controls designed to prevent and detect fraud.
  - examining journal entries and other adjustments for evidence of possible material misstatement due to fraud.

- reviewing accounting estimates for biases that could result in material misstatement due to fraud (including a retrospective review of significant prior years' estimates); and
- evaluating the business rationale of significant unusual transactions.

Consideration of compliance with laws and regulations and audit of compliance with authorities

Canadian GAAS requires that when planning and conducting the audit, we consider the risk of material misstatement of the financial statements due to non-compliance with laws and regulations. The auditor must respond to identified or suspected instances of non-compliance. Material non-compliance may impact the auditor's opinion on the financial statements.

The results of this work will be included in our report to those charged with governance on audit results unless there are matters of non-compliance that are believed to be intentional and material, in which case we will advise you as soon as practicable.

Reliance on internal control

Our professional standards require us to communicate in writing any significant deficiencies in internal control to management and those charged with governance on a timely basis. This includes deficiencies that may have been previously communicated to the Trustees, yet remain unresolved.

Management representations

As part of our audit process, we will require a letter of representation from management confirming representations made to us verbally or in writing during the audit, as well as representations that are implicit in the organization's financial statements and records. Management's representations are integral to the audit evidence gathered by us and they are required in writing so that we have appropriate documentation to support the content of our report.

Written representations inform us that management and, where appropriate, those charged with governance believe that they have fulfilled their responsibility for the preparation of the financial statements and for the completeness of the information provided to us. These representations support other audit evidence relevant to the financial statements or specific assertions in the financial statements.

Management's responsibility to provide written representations to the auditor is included in the engagement letter between the auditor and the entity.

Audit deliverables

At the conclusion of the audit, we will provide the following reports:

- **Independent Auditor's Report.** A standard auditor's report on the financial statements is included in Appendix D for your reference.
- **Report to the Board of Trustees—Audit Results.** This report is prepared to assist members in their review of the financial statements prior to recommending them for approval. The report provides disclosures required by professional standards and other information we believe will be useful to the Trustees in its work.

In addition to our reports, we may provide the following additional information:

- **Management letter.** A derivative communication that identifies opportunities for changes in procedures that would improve systems of internal control, streamline operations, and/or enhance financial reporting practices.

Our responsibilities relating to other information in the annual report and similar documents

Canadian GAAS requires us to review the annual report before it is published to ensure that the financial statements and our auditor's report have been reproduced accurately. We also read other information within the annual report, for the purpose of identifying material inconsistencies, if any, with the audited financial statements or material misstatements of fact. We will also expand the review described above to include the Internet version of the annual report should the report be published thereon.

Auditor involvement with offering documents and designated documents

If the organization intends to include audited financial statements and/or the auditor's report within offering documents or designated documents, the organization is required to obtain prior written consent from the Office to use the auditor's report.

Offering documents are documents that offer securities, whether in a primary or secondary offering, in exchange for cash, debt, other securities, or other assets. For example: preliminary prospectuses; prospectuses; private placement offering memoranda; statements of material facts; issuer bid circulars; and information circulars.

A designated document consists of one or more of the following continuous disclosure documents filed with securities regulatory authorities:

(a) the entity's financial statements and the auditor's report thereon.

(b) the entity's Management Discussion and Analysis (MD&A) filed in connection with the material in paragraph (a); and

(c) any other continuous disclosure document of the entity containing, or incorporating by reference, financial statements, and the auditor's report thereon.

Appendix B—Responsibilities for financial reporting

Management

Management is responsible for the day-to-day activities of the organization. This includes, among other things, the preparation of the financial statements in accordance with the applicable financial reporting framework, which includes responsibilities related to internal control, such as designing and maintaining accounting records, selecting and applying accounting policies, safeguarding assets, complying with legislative and other authorities, and preventing and detecting error and fraud. It is the responsibility of management to establish a control environment and maintain policies and procedures to assist in achieving the objective of ensuring the orderly and efficient conduct of the organization's business. In determining which controls to implement to prevent and detect fraud, management should consider the risks that the financial statements may be materially misstated as a result of fraud.

Management is also responsible for the preparation, integrity, and objectivity of publicly reported information such as annual financial statements. In preparing financial statements, management is responsible for exercising sound judgment in selecting and applying accounting policies in accordance with the applicable accounting framework.

Board of Trustees

The Board of Trustees is responsible for oversight of the management of the businesses, activities, and other affairs of the organization. Among other things, this means that the Trustees have oversight responsibility for the financial reporting process and must approve the financial statements of the organization. In doing so, it indicates that it has exercised its oversight responsibilities and is satisfied that the financial statements are appropriate.

The Trustees, through oversight of management, is responsible for ensuring that the organization designs, implements, and maintains appropriate internal control with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable legislation and other authorities. In exercising its oversight responsibility, the Trustees should consider the potential for management override of controls or other inappropriate influence over the financial reporting process.

Appendix C—Engagement letter

January 22, 2018

Mr. Scott Lamont, FCGA
Vice-President (Administration and Finance)
Brandon University
270 – 18th Street
Brandon, Manitoba R7A 6A9

Ms. Heather Gillander
Chair, Board of Trustees
Brandon University Retirement Plan
270 – 18th Street
Brandon, Manitoba R7A 6A9

Dear Mr. Lamont and Ms. Gillander:

The purpose of this letter is to confirm our common understanding of the terms of the audit engagement.

The Board of Trustee has appointed the Auditor General of Manitoba the auditor of the Brandon University Retirement Plan.

We have appointed BDO Canada LLP to act as our agent in performing the audit. They will report to us, and we will review their work, throughout the audit.

Annual Audit

The audit of the Brandon University Retirement Plan financial statements is designed to enable the Auditor General of Manitoba to issue a report indicating whether, in his opinion:

- the financial statements present fairly, in all material respects, the financial position of the Brandon University Retirement Plan as at December 31, 2017, and the changes in net assets available for benefits and changes in pension obligations for the Plan for the year then ended in accordance with Canadian public sector accounting standards for pension plans.

The form and content of this auditor's report will be in accordance with Canadian Auditing Standard 700 *Forming an opinion and reporting on financial statements*.

There may be circumstances where our auditor's report will differ from the standard on form and content. In such cases, we will discuss with management in advance of finalizing our auditor's report and seek to resolve any difference of view that may exist. This will be communicated, if appropriate or necessary, to the Board of Trustees.

Under the *Auditor General Act*, we are required to call attention to any other matter resulting from our work that, in our opinion, should be brought to the attention of the Legislative Assembly.

1. Our responsibilities

Audit. We are responsible to conduct our audit in accordance with Canadian generally accepted auditing standards (GAAS). Those standards require that we comply with ethical and independence requirements, and that we 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. An audit also involves evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

The scope of our audit will include obtaining, to the extent necessary to effectively carry out our work, an understanding of Brandon University Retirement Plan and its business environment, the business risks it faces, how the Brandon University Retirement Plan manages those risks, and its overall control environment.

Risk assessment. In making our risk assessments, we will obtain an understanding of internal control relevant to the preparation of the financial statements to design audit procedures that are appropriate in the circumstances. The scope of our review of internal controls will not be sufficient to express an opinion on the effectiveness or efficiency of your internal controls. However, we will inform the management and the Board of Trustees in writing of any significant deficiencies in internal control relevant to the audit of the financial statements that we have identified during the audit.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements in the financial statements may not be detected (particularly intentional misstatements concealed through collusion), even though the audit is properly planned and performed in accordance with Canadian generally accepted auditing standards.

Fraud. In planning and conducting the audit, we consider the possibility that fraud or error, if sufficiently material, may affect our opinion on the financial statements. Accordingly, we maintain an attitude of professional skepticism throughout the audit, recognizing the possibility that a material misstatement due to fraud could exist. Because of the nature of fraud, which could include attempts at concealment through collusion and forgery, an audit designed and executed in accordance with Canadian generally accepted auditing standards may not detect a material fraud. Furthermore, while effective internal control reduces the likelihood that misstatements will occur and remain undetected, it does not eliminate that possibility. For these reasons, we cannot guarantee that fraud, error, and illegal acts, if present, will be detected.

Communication of matters. We will inform management and, if appropriate or necessary, the Board of Trustees of the following matters that we may have identified during our audit:

- misstatements, resulting from error (other than trivial errors), and the request to correct those misstatements.
- fraud or any information obtained that indicates that a fraud may exist.

- any evidence obtained that indicates non-compliance, or suspected non-compliance, with laws and regulations.
- significant deficiencies in the design or implementation of internal control to prevent and detect fraud or error.
- related party transactions identified by us that are significant and outside the normal course of operations.

However, audits do not usually identify all matters that may be of interest to management in carrying out its responsibilities. The type and significance of the matter to be communicated will determine the level of management to whom the communication is directed.

Confidentiality. All of our employees have a duty of confidentiality within the limits of the law. Accordingly, except for information that is in or enters the public domain, we will not provide any third party with confidential information concerning the affairs of the Brandon University Retirement Plan without your prior consent—unless we are required to do so by the law.

Review of the annual report. Canadian GAAS require us to review the annual report or similar documents of the Brandon University Retirement Plan, before its publication, to ensure that the financial statements and our auditor's report have been reproduced accurately. We are also required to read the other information (financial or non-financial) included in the annual report to identify material inconsistencies, if any, with the audited financial statements. We do not have a specific responsibility for determining whether or not other information is properly stated. However, if we become aware of an apparent material misstatement of fact, we will discuss the matter with management. We will also expand our review to include the Internet version of the annual report, should one exist. We ask that the annual report be available for our review, before its publication.

Offering documents and designated documents. Our audit responsibilities do not extend to offering documents and designated documents. Should you wish to include or incorporate our report by way of reference in a document that offers securities, whether in a primary or secondary offering, in exchange for cash, debt, other securities or other assets (an "offering document"), or a continuous disclosure document filed with securities regulatory authorities (a "designated document"), you must obtain our written consent in advance.

2. Management responsibilities

Our audit will be conducted on the premise that management and, where appropriate, the Board of Trustees acknowledge and understand that they have the following responsibilities.

Responsibility for financial statements and internal control. Management is responsible for the preparation and fair presentation of the financial statements and information referred to above. You are also responsible for establishing and maintaining an effective system of internal control over financial reporting to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In this regard, you are responsible for establishing policies and procedures that ensure financial information is prepared in accordance with Canadian public sector accounting standards for pension plans.

Correction of errors. Management is responsible for adjusting the financial statements to correct material misstatements and for confirming to us that the total of all uncorrected misstatements identified by us during our audit are immaterial, both individually and in total, to the financial statements taken as a whole. In addition, we expect management will correct all known non-trivial errors.

Prevention and detection of fraud. Management is also responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us:

(a) of the risk that the financial statements may be materially misstated as a result of fraud.

(b) about all known or suspected fraud involving (i) management, (ii) employees who have significant roles in internal control over financial reporting and (iii) others where the fraud could have a non-trivial effect on the financial statements.

(c) of your knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, regulators, investors or others.

Related parties. Management is responsible for disclosing to us the identity of each related party as defined in:

- *CPA Canada Handbook—Accounting Part II—Section 3840—Related Party Transactions.*

and all the related party relationships and transactions of which you are aware and, for providing to us any updates that occur during this engagement.

Subsequent events. Management is responsible for informing us of subsequent events that may affect the financial statements of which you may become aware up to the date the financial statements are issued.

Laws, regulations, and other authorities. Management is responsible for identifying and ensuring that you comply with the laws, regulations and other authorities applicable to your organization and its activities. You will make available to us information relating to any illegal or possibly illegal acts, and all facts related thereto, and will provide information to us relating to any known or probable instances of non-compliance with legislative or regulatory requirements, including financial reporting requirements.

Providing information on a timely basis. Management is responsible for making available to us, on a timely basis, all of your original accounting records and related information relevant to the preparation of the financial statements, additional information that we may request from you for the purposes of our audit, and unrestricted access to your personnel who we may determine necessary to obtain evidence to support our audit of the financial statements.

Management representation letter. Management will provide us with written representations that encompass representations made to us during the audit covering the financial statements. Management’s representations are integral to our audit evidence.

3. Other engagement matters

We estimate the audit fee at $8,300 before taxes. Last year’s audit fee was $8,150, before taxes. If we need significant additional time, we will explain why and agree on a new fee estimate.

All working papers and files, other materials, reports, and work that we create, develop, or perform during the engagement will remain our property.

These terms of engagement will be effective from year to year until amended or terminated in writing.

To indicate that you agree with management's responsibilities and understand our role and responsibilities, please sign both copies of this letter, return one signed copy to us, and keep one copy for your records.

Yours sincerely,

Brendan Thiessen, CPA, CA
Principal

BT/ja

We agree with management's responsibilities and understand the role and responsibilities of the Office of the Auditor General of Manitoba as described in this letter.

By:

Mr. Scott Lamont, FCGA Vice-President (Finance and Administration)	Date

By:

Ms. Heather Gillander Chair, Board of Trustees	Date

Appendix D—Standard Auditor's Report

INDEPENDENT AUDITOR'S REPORT

To the Legislative Assembly of Manitoba
To the Board of Trustees of the Brandon University Retirement Plan

We have audited the accompanying financial statements of the Brandon University Retirement Plan, 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 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.

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 financial position of the Brandon University Retirement Plan as at December 31, 2017 and the changes in net assets available for benefits and changes in pension obligations for the Plan for the year then ended in accordance with Canadian accounting standards for pension plans.

Office of the Auditor General
[Audit report date]
Winnipeg, Manitoba

Appendix E—Independence

The Office's *Expectations regarding*: v*alues, independence, objectivity & confidentiality*, and provincial codes of professional conduct require us to maintain independence from the organization. Canadian generally accepted auditing standards (Canadian GAAS) require that we communicate with those charged with governance regarding all relationships between the organization and us that, in our professional judgment, may reasonably be thought to bear on our independence.

In determining which relationships to report, we consider relevant rules and related interpretations and applicable legislation, covering such matters as:

- holding a financial interest, either directly or indirectly, in the organization.
- personal or business relationships of immediate family and management or those charged with governance; and
- over familiarity with the organization due to a long-standing relationship.

Since we report directly to the legislative assembly, we inherently possess a significant degree of independence. To provide further assurance, our system of quality control requires us to ensure safeguards are applied to eliminate identified threats to independence, or reduce them to an acceptable level to ensure that we complied with relevant ethical requirements regarding independence. Our audit staff is required to annually declare any interests that could be perceived as placing them in a conflict of interest position. We also have policies designed to ensure that auditors do not remain on the same audit for excessive periods of time.

At this time, we are not aware of any relationships between the organization and our audit staff that, in our professional judgment, may reasonably be thought to bear on our independence.

Appendix F—Developments in accounting and auditing standards

Developments in accounting standards

1) Amendments to the Introduction to Public Sector Accounting Standards

In December 2014, PSAB amended the Introduction to Public Sector Accounting Standards (PSAS) to:

- introduce the term public sector entity.
- define a government component.
- amend the definition of a government organization.
- include specific definitions of all types of government organizations and partnerships; and
- provide guidance as to the basis of accounting to be used by government components, organizations and partnerships, where the partnerships have two or more public sector entity partners.

Application

Public sector entities that issue general purpose financial statements should comply with the applicable accounting standards in accordance with this Introduction. For purposes of the PSA Handbook, the use of the term "financial statements" means general purpose financial statements. In contrast, special purpose financial statements are financial statements prepared in accordance with a financial reporting framework that is designed to meet the financial information needs of specific users. The broad distribution of special purpose financial statements does not make these financial statements general purpose. The PSA Handbook is not required for the preparation of special purpose financial statements.

Government Components

A government component is defined as an integral part of government, such as a department, ministry or fund. It is not a separate entity with the power to contract in its own name and that can sue and be sued. Components have to adopt PSAS for fiscal periods beginning on or after January 1, 2017.

Government Partnerships

Government partnerships between two or more public sector entities, except for government business partnerships, would normally apply the standards for governments in the PSA Handbook. When these standards do not meet their financial statement users' needs, the standards applicable to publicly accountable enterprises in Part I of the CPA Canada Handbook – Accounting should be considered. Government partnerships that adopt PSAS or standards applicable to publicly accountable enterprises should do so for fiscal periods beginning on or after January 1, 2017. Earlier adoption is permitted.

Government business partnerships between two or more public sector entities apply the standards for publicly accountable enterprises in Part I of the CPA Canada Handbook – Accounting. These standards should be adopted for fiscal periods beginning on or after January 1, 2017.

The standards used by government partnerships and government business partnerships with one or more private sector partners is not specified by the PSA Handbook but, instead, determined by the partners.

2) Related Party Transactions

In March 2015, PSAB issued 2 new sections on related party transactions. These sections apply to fiscal years beginning on or after April 1, 2017.

Related party disclosures, Section PS 2200

This new section defines a related party and establishes disclosures required for related party transactions. The main features of the new section are:

- Disclosure of information about related party transactions and the relationship underlying them is required when they have occurred at a value different from that which would have been arrived at if the parties were unrelated, and they have, or could have, a material financial effect on the financial statements.
- A related party exists when one party has the ability to exercise control or shared control over the other. Two or more parties are related when they are subject to common control or shared control. Related parties also include individuals that are members of key management personnel and close family members.
- Disclosure of key management personnel compensation arrangements, expense allowances and other similar payments routinely paid in exchange for services rendered is not required.
- Two entities that have a member of key management personnel in common may be related depending upon that individual’s ability to affect the policies of both entities in their mutual dealings.
- Determining which related party transactions to disclose is a matter of judgment based on assessment of:
  - the terms and conditions underlying the transactions.
  - the financial materiality of the transactions.
  - the relevance of the information; and
  - the need for the information to enable users’ understanding of the financial statements and for making comparisons.

Inter-entity transactions, Section PS 3420

This new section establishes standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective. The main features of the new section are:

- Inter-entity transactions are considered in conjunction with Related party disclosures, Section PS 2200. Information about inter-entity transactions would be disclosed in accordance with this new Section.
- Under a policy of cost allocation, revenues and expenses are recognized on a gross basis.
- Transactions are measured at the carrying amount, except in specific circumstances.
- The transfer of an asset or liability for nominal or no consideration is measured by the provider at the carrying amount and by the recipient at the carrying amount or fair value. A recipient may recognize unallocated costs as a revenue and expense at carrying amount, fair value or another amount based on existing policy, depending on the particular circumstances of each case.

3) Assets, Contingent Assets and Contractual Rights

In June 2015, PSAB issued 3 new sections on Assets, Contingent Assets and Contractual Rights. These sections apply to fiscal years beginning on or after April 1, 2017.

Assets, Section PS 3210

This new Section provides guidance for applying the definition of assets set out in *Financial statement concepts, Section PS1000*, and establishes general disclosure standards for assets.

Disclosure of information about the major categories of assets that are not recognized is required. When an asset is not recognized because a reasonable estimate of the amount involved cannot be made, the reason(s) for this should be disclosed.

Contingent assets, Section PS 3320

This new Section defines and establishes disclosure standards on contingent assets.

Contingent assets are distinct from assets because they are characterized by the uncertainty related to the existence of an asset at the financial statement date. They usually arise from unplanned or unexpected events that lead to an existing condition or situation the outcome of which is uncertain. The outcome or resolution of the condition or situation after the financial statement date will confirm whether an asset exists. Contingent assets have two basic characteristics:

- An existing condition or situation that is unresolved at the financial statement date.
- An expected future event that will resolve the uncertainty as to whether an asset exists.

Disclosure of information about contingent assets is required when the occurrence of the confirming future event is likely.

Contractual rights, Section PS 3380

This new Section defines and establishes disclosure standards on contractual rights.

Contractual rights are rights to economic resources arising from contracts or agreements that will result in both an asset and revenue in the future. A contractual right arises out of a contract or agreement that is binding between two or more parties, has clear economic consequences and is enforceable by law.

Disclosure of information about contractual rights is required including description about their nature and extent and the timing.

4) Restructuring Transactions

In June 2015, PSAB issued the new section *Restructuring transactions, PS 3430*.

This new Section defines a restructuring transaction and establishes standards for recognizing and measuring assets and liabilities transferred in a restructuring transaction.

The main features of the new Section are:

- A restructuring transaction is defined separately from an acquisition. The key distinction between the two is the absence of an exchange of consideration in a restructuring transaction.
- A restructuring transaction is defined as a transfer of an integrated set of assets and/or liabilities, together with related program or operating responsibilities that does not involve an exchange of consideration.
- Individual assets and liabilities transferred in a restructuring transaction are derecognized by the transferor at their carrying amount and recognized by the recipient at their carrying amount with applicable adjustments.
- The increase in net assets or net liabilities resulting from recognition and derecognition of individual assets and liabilities received from all transferors, and transferred to all recipients in a restructuring transaction, is recognized as revenue or as an expense.
- Restructuring-related costs are recognized as expenses when incurred.
- Individual assets and liabilities received in a restructuring transaction are initially classified based on the accounting policies and circumstances of the recipient at the restructuring date.
- The financial position and results of operations prior to the restructuring date are not restated.
- Disclosure of information about the transferred assets, liabilities and related operations prior to the restructuring date by the recipient is encouraged but not required.

These sections apply to fiscal years beginning on or after April 1, 2018. Earlier adoption is permitted.

5) Financial Instruments and Foreign Currency Translation

In September 2015, PSAB extended the effective date for governments to transition to *Financial instruments*, *Section PS 3450* and *Foreign currency translation, Section PS 2601* to fiscal years beginning on or after April 1, 2019.

6) Proposed Changes to Public Sector Accounting Standards

PSAB has issued the following documents for comment proposing changes to public sector accounting standards:

Revenue

In May 2017, PSAB issued an Exposure Draft proposing a new section *Revenue, Section PS 3400.* The new standards include proposals on issues that affect when revenue is recognized, how it is measured, as well as its presentation and disclosure. This proposed section enhances the relevance, reliability and comparability of information reported in financial statements by establishing a framework and criteria for recognition and measurement of revenue.

The main features of the Exposure Draft are as follows:

- A framework for revenue is proposed describing two categories of revenue — exchange transactions or unilateral transactions.
- If the transaction gives rise to one or more performance obligations, it would be an exchange transaction.
- Performance obligations are enforceable promises to provide goods or services to a payor as a result of exchange transactions.
- Revenue from an exchange transaction is recognized when the public sector entity has satisfied the performance obligation(s).
- The performance obligation(s) may be satisfied at a point in time or over a period of time.
- If no performance obligations are present, it would be unilateral revenues.
- Unilateral revenues result in increases in the economic resources of a public sector entity without a direct transfer of goods or services to the payor.
- Unilateral revenues are recognized when a public sector entity has the authority to claim or retain an inflow of economic resources and a past event gives rise to a claim of economic resources.

The new Section would apply to fiscal years beginning on or after April 1, 2021. Earlier adoption is permitted. The Section would be accounted for as a change in accounting policy applied retroactively with restatement of prior periods.

Comments on the Exposure Draft were to be submitted by August 15, 2017.

Asset Retirement Obligations

In March 2017, PSAB issued an Exposure Draft proposing creation of new handbook section *Asset Retirement Obligations, Proposed Section PS 3280* that addresses the accounting and reporting of retirement obligations associated with tangible capital assets controlled by a public sector entity. PSAB also proposes to withdraw *Solid Waste Landfill Closure and Post-Closure Liability, Section PS 3270*.

The main features of the Exposure Draft are as follows:

- An asset retirement obligation is a legal obligation associated with the retirement of a tangible capital asset.
- Asset retirement costs associated with a tangible capital asset controlled by the entity increase the carrying amount of the related tangible capital asset (or a component thereof) and are expensed in a rational and systematic manner.
- Asset retirement costs associated with an asset no longer in productive use are expensed.
- Subsequent measurement of the liability can result in either a change in the carrying amount of the related tangible capital asset (or a component thereof), or an expense, depending on the nature of the remeasurement and whether the asset remains in productive use.
- Asset retirement obligations include post-retirement operation, maintenance and monitoring.
- A present value technique is often the best method with which to estimate the liability.

The proposed standards impact entities with buildings containing asbestos.

A liability for an asset retirement obligation can be incurred due to the acquisition, construction or development of a tangible capital asset; or normal use of a tangible capital asset. Accordingly, when a public sector entity acquires a building that contains asbestos, a liability for asbestos removal is created because regulations require the entity to handle and dispose of it in a prescribed manner when the building undergoes renovations or is demolished. Although timing of the removal of the asbestos is conditional on the building undergoing renovations or being demolished, existing regulations create a legally enforceable obligation for the entity to remove and dispose of the asbestos. The obligating event occurs when the entity acquires the building. The ability to defer settlement does not relieve the entity of the obligation as the asbestos will eventually need to be removed and disposed of.

Comments on the Exposure Draft were to be submitted to PSAB by June 15, 2017.

Employment Benefits

Identified as the top priority in PSAB's 2014 Project Priority Survey, the Board has approved a project to review *Section PS 3250, Retirement Benefits, and Section PS 3255, Post-employment Benefits, Compensated Absences and Termination Benefits*. Since the issuance of these Sections decades ago, new types of pension plans have been introduced and there have been changes in the related accounting concepts.

The first stage of this project will involve looking at issues such as deferral of experience gains and losses, discount rate, shared risk plans, multi-employer defined benefit plans and vested sick leave benefits. Other improvements to existing guidance will also be considered. The second stage will involve determining how to account for these new types of pension plans.

A new, comprehensive Handbook Section on employment benefits will replace the two existing Sections.

PSAB decided to undertake this project in phases to facilitate a thorough consideration of the key issues. PSAB will address the deferral provisions and discount rate guidance in the standards in Phase I, and the non-traditional plans and other issues in Phase II.

In November 2016, PSAB issued an Invitation to Comment (ITC) *Employment Benefits: Deferral Provisions in Sections PS 3250 and PS 3255* with responses to be submitted by March 3, 2017. PSAB approved a second ITC *Employment Benefits: Discount Rate Guidance in Section PS 3250* to be issued in November 2017. A key objective of issuing these ITCs is to seek stakeholder input prior to PSAB establishing its own preliminary views on the issues.

Public Private Partnerships

In July 2017, PSAB issued a Statement of Principles *Public Private Partnerships*. This Statement of Principles proposes new requirements for recognizing, measuring and classifying infrastructure procured through a public private partnership.

The main features of the proposals in this Statement of Principles are as follows:

- Public private partnership infrastructure is procured by the public sector entity using a private sector partner whose obligations include a requirement to:
  - build, acquire, improve or refurbish.
  - finance; and
  - maintain and/or operate the infrastructure.
- Public private partnership infrastructure is recognized as an asset where the public sector entity controls the infrastructure.
- A liability is recognized where the public private partnership gives rise to an obligation to the public sector entity to sacrifice future economic benefits.
- Infrastructure and the associated liability are measured initially at cost.

Comments on the Statement of Principles were to be submitted to PSAB by October 17, 2017.

Developments in auditing standards

We have identified the following recent developments as being potentially significant to the organization.

Auditor Reporting

New auditor reporting standards have been adopted for use in Canada by the Auditing and Assurance Standards Board (AASB). These reporting standards, which includes a series of new and revised standards, will be effective for audits of financial statements for periods ending on or after 15 December 2018.

The standards are substantially the same as the International Standards on Auditing, except for the fact that Canadian Auditing Standard (CAS) 701, the standard on key audit matters (KAMs), will not be required for listed entities. As a result, KAMs may be reported on a voluntary basis, except where required by law or regulation. As of today, there are no laws or regulations that require KAM reporting in Canada.

The major differences between our report today and our report under new auditor reporting standards are as follows:

- an opinion section must be presented first, followed by the Basis for Opinion section, unless laws or regulations prescribe otherwise.
- an affirmative statement about the auditor's independence and fulfillment of relevant ethical responsibilities, with disclosure of the jurisdiction of origin of those requirements (i.e. Canada).
- enhanced auditor reporting on going concerns, including:
  - a description of the respective responsibilities of management and the auditor for going concerns.
  - a separate section when a material uncertainty exists and is adequately disclosed under the heading "Material Uncertainty Related to Going Concern"; and
  - a new requirement to challenge the adequacy of disclosures for "close calls" in view of the applicable financial reporting framework when events or conditions are identified that may cast significant doubt on an entity's ability to continue as a going concern.
- a new statement describing the auditor's responsibilities with respect to other information included in a document that contains the audited financial statements.
- disclosure of the engagement partner's name for audits of financial statements of listed entities; and
- an enhanced description of the auditor's responsibilities and key features of an audit.

The AASB will continue to monitor developments in the US and the post-implementation review that the International Auditing and Assurance Standards Board is scheduled to conduct. They are also working directly with Australian standard setters to study their experience in implementing the new auditor reporting standards. They will also review experience gained in Canada by those who will voluntarily report key audit matters. Insights gained from these activities will guide the AASB in future deliberations on communication of key audit matters being made mandatory for particular entities.

For information purposes only, we have included a sample auditor’s report of an entity other than a listed entity. The report has been prepared using the illustrative reports within the revised Canadian Auditing Standards.

SAMPLE INDEPENDENT AUDITOR’S REPORT

To the Shareholders of ABC Company [or Other Appropriate Addressee]

Opinion

We have audited the financial statements of ABC Company (the Company), which comprise the statement of financial position as at 31 December 201X, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 201X, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the X report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Signature in the name of the audit firm, the personal name of the auditor, or both, as appropriate for the particular jurisdiction.

Auditor Address

Date

Rosalie Kolstad

From: Andrew Kulyk <akulyk@eckler.ca>
Sent: Wednesday, January 10, 2018 4:49 PM
To: Heather Gillander
Cc: Scott Lamont; Rosalie Kolstad
Subject: Manitoba News Release: Province to Consult With Manitobans on The Pension Benefits Act Review

Hi Heather,

There is some pension news from the government today – which we summarized below.

The two biggest items are item #1 which opens the door for a shared risk model and item #2 which signals changes to the deficit funding requirements for plans in Manitoba. However, it is important to note that there is currently no information on how public sector plans with a solvency exemption might be affected by the solvency funding changes.

Eckler will be making a submission in response to the Consultation Paper. Let us know if you would like us to assist in preparing a submission on the Trustees' behalf.

I would be happy to discuss this further.

Andrew

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Earlier today, the Manitoba government released a Consultation Paper on possible changes to the province's Pension Benefits Act (PBA). The consultation paper seeks stakeholder feedback on Recommendations for Reforms to the PBA made by the Pension Commission of Manitoba following its review of the legislation.

The Consultation Paper, which is open for comment until February 21, 2018, seeks input on the following topics:

- Introducing a target benefit or shared risk plan framework for provincial defined benefit (DB) plans,
- Re-examining the solvency funding rules in their entirety,
- Revisiting the provisions restricting access to locked-in pension funds,
- Revisiting the provisions around compulsory plan membership,
- Considering changing the current rules on pension division on relationship breakdown, and
- Clarifying certain provisions of the PBA.

The Consultation Paper provides details of the review including certain options to consider, some commentary about the options, and questions for respondents. A summary of the Consultation Paper is provided below.

The results of the consultation process, and related legislative amendments, will impact every plan that is governed by the PBA. However, it is important to note that there is currently no information on how public sector plans with a solvency exemption might be affected by the solvency funding changes.

Eckler will be making a submission in response to the Consultation Paper. Let us know if you would like us to assist in preparing a submission on your behalf to be sent in your name.

Consultation Paper Summary

1. Introducing a target benefit or shared risk plan framework

Target benefit pension plans (TBPPs) and shared risk pension plans (SRPPs) are types of DB plans that have been introduced in other jurisdictions. Such plans share positive and negative experience between plan sponsors and plan beneficiaries, and typically give the parties, acting collectively, the ability to adjust benefit levels and required contributions over time.

2. Changes to Solvency Funding Rules

Options for changing the current funding rules include:

- Eliminating solvency funding and enhancing going concern funding. Enhancements to going concern funding could involve one or more of the following:
  - Reducing the amortization period for funding deficiencies,
  - Requiring funding of a provision for adverse deviation (PfAD),
  - Requiring solvency funding under a certain trigger (i.e. funding on a solvency basis up to a ratio of 85%), and
  - Consolidating deficiencies at each valuation date.
- Introducing solvency reserve accounts (SRAs). These are separate accounts that hold solvency contributions, which could potentially be withdrawn by the employer as positive experience emerges.
- Eliminating solvency funding without any changes to the going concern funding requirements.
- Maintaining the current solvency funding rules.

Many of these issues have been, or are currently being, reviewed in other jurisdictions in Canada.

3. Locking-in provisions and access to locked-in pension funds

While the current rules are generally consistent with other jurisdictions, feedback is sought on a number of issues, including whether financial hardship unlocking, or other unlocking provisions, should be available.

4. Compulsory pension plan membership

Manitoba is unique in making plan membership *mandatory* for full time and part time employees who have met certain criteria. Feedback is requested on whether this requirement should continue, whether members should be allowed to opt out, and whether members (presumably in defined contribution plans) should be able to set their contribution rates to 0%.

5. Division of pensions on relationship breakdown

Manitoba is the only province where the division or pension entitlement must be divided 50/50 regardless of the separation agreement or court order, though members may opt out of the division. Feedback is sought on whether it should allow a division of up to 50% of the pension, as is the case in all other jurisdictions.

6. Other clarifications

Feedback is also sought on a number of technical amendments to the PBA to address gaps or to provide clarifications.

Andrew Kulyk, FSA, FCIA, Principal
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News Release - Manitoba

January 10, 2018

PROVINCE TO CONSULT WITH MANITOBANS ON THE PENSION BENEFITS ACT REVIEW

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Protecting Manitobans' Retirement Security, Building a Better Financial Future: Friesen

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Backgrounder
Consultation Paper
Recommendations

The Pension Commission of Manitobahas reviewed the province's pension laws in an initiative to update and strengthen the existing pension system, Finance Minister Cameron Friesen announced today.

"We know how important it is for Manitobans to have secure income and certainty in their retirement," said Friesen. "We look forward to receiving feedback on the proposed reforms, with a view toward improving pension benefits and building a stronger financial future for Manitobans."

The Pension Commission is required to complete a statutory review of The Pension Benefits Act (PBA) every five years, and report its findings and recommendations to the minister. The latest review focused on new plan designs, solvency deficiency funding rules, locking-in provisions and access to locked-in pension funds, compulsory pension plan membership, division of pensions on relationship breakdown, clarification and legislative gaps.

Highlights of the commission's recommendations include:

- introducing a target benefit or shared risk plan framework for defined benefit pension plans as another option to encourage defined benefit pension plans;
- introducing a new funding regime based on enhanced going concern funding and a lower solvency funding threshold of 85 per cent; and
- allowing greater flexibility for individuals to access locked-in pension funds due to financial hardship.

An online public consultation on the recommendations in the commission's report will occur over a six-week period, the minister said. For more information on the review and consultation visit www.gov.mb.ca/labour/pension.

Electronic submissions can be sent to pensions@gov.mb.ca. Written submissions can be sent to:

The Office of the Superintendent – Pension Commission
Room 1004 – 401 York Ave.
Winnipeg, MB R3C 0P8

The closing date for submissions is Feb. 21.

The minister noted the consultation will be followed by proposed legislation to reform and strengthen the province's pension system and secure stable retirement income for Manitobans.

The Manitoba government appoints members of the Pension Commission and the commission comprises not fewer than five and not more than nine members representing the views of organized labour, plan sponsors, the pension consulting industry and pensioners.

The consultation paper and the commission's recommendations for reforms to The Pension Benefits Act are attached.

CONSULTATION PAPER
THE PENSION BENEFITS ACT REVIEW

January 2018

Manitoba

CONSULTATION PAPER

THE PENSION BENEFITS ACT REVIEW

Department of Finance

January 10, 2018

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Part 1 – Introduction

Employer pension plans are an important retirement income source established by employers to provide lifetime pension income in retirement to their employees, known as the “pension promise”.

The fundamental policy objective with respect to funding standards for these plans is to create a stable retirement income system to enhance the well-being of older citizens.

Under *The Pension Benefits Act* (PBA), the Pension Commission of Manitoba (Commission) must review the PBA at least once every five years and report its findings and recommendations (commission’s report) to the Minister of Finance.

The Commission undertook a review of the PBA that focused on new plan designs, solvency deficiency funding rules, locking-in provisions and access to locked-in pension funds, compulsory pension plan membership, division of pensions on relationship breakdown and clarification/legislative gaps.

The commission’s report may be accessed at **Commission’s Recommendations for Reforms to The Pension Benefits Act.**

Feedback from individuals, pension plan sponsors, pension consultants/actuaries, financial institutions and industry organizations on the discussion questions raised in this Consultation Paper and the recommendations in the commission's report are welcome.

Part 2 – How to participate

Submissions on the discussion questions in this Consultation Paper and recommendations in the commission's report may be submitted electronically to pensions@gov.mb.ca. Written submissions can be sent to the following address:

Office of the Superintendent – Pension Commission
Room 1004 – 401 York Avenue
Winnipeg MB R3C 0P8

The closing date for submissions is February 21, 2018.

Part 3 – New plan designs

Target benefit pension plans (TBPPs) and shared risk pension plans (SRPPs) refer to types of pension plans designed to provide cost certainty with a defined benefit pension plan (DB Plan) promise.

Under these new plan designs, employee and employer contributions are established at a fixed level or range, often collectively bargained. The employer's liability is limited to the fixed contribution amount.

These new plan designs specify a target pension with no guarantee that the pension provided at retirement will equal the target amount. The actual benefit is determined based on affordability with the ability to increase or decrease benefits.

If contributions are not sufficient to maintain the target pension, contribution rates may be increased and accrued benefits (whether in payment or not) decreased.

These new plan designs are generally exempt from solvency funding but are subject to more stringent going concern funding.

In 2012, New Brunswick amended its pension legislation to permit SRPPs. While similar to a TBPP, the SRPP has some unique differences. In general, it provides a minimum/base target pension with the ability to adjust benefits up or down based on pre-set levels. Contributions are based on legislated funding requirements.

Alberta amended its legislation to permit TBPPs in 2014 and British Columbia in 2015. In 2016, the Federal government introduced amendments that would permit TBPPs that are similar in many respects to a SRPP. Nova Scotia introduced legislation in 2011 that permits TBPPs to be established in unionized settings. Its legislation has not been proclaimed into force. Ontario adopted a similar approach. Ontario's legislation has not been proclaimed.

Discussion questions

1. Should Manitoba develop a regulatory framework for a new target benefit or shared risk pension plan design?
2. If so, should a target benefit or a shared risk pension plan framework be developed?
3. Should the new plan design be available to both single employer and multi-employer plans, and both private sector and public sector plans?
4. Should the new plan design be restricted to unionized environments?
5. Should conversion to the new plan design be permitted for future benefit accruals only?
6. If conversion of existing benefits is permitted, should union or member consent be required?

Part 4 – Solvency deficiency funding rules

There are 78 DB Plans registered in Manitoba.

Like most jurisdictions, Manitoba requires that DB Plans are valued and funded on both a going concern and solvency basis. The going concern basis assumes the plan continues indefinitely. Going concern deficiencies must be funded over a 15-year period. The solvency basis assumes the plan terminates and all benefits are settled. Solvency deficiencies must be funded over a five-year period.

Solvency funding rules were introduced in Manitoba effective April 30, 1999. The intent of solvency funding is to increase benefit security for DB Plan members in the event of a plan being underfunded if the plan wind-ups and the employer is insolvent. However, even with solvency funding, there is no guarantee that a plan will be fully funded if an employer becomes bankrupt.

Market downturns over the last decade and changing demographic conditions have led to increased solvency payments imposed by the current solvency funding rules. In some cases, this has created significant funding challenges for plan sponsors who shoulder the funding risk inherent in DB Plans.

While the markets have made a significant recovery since 2007-2008, long-term interest rates used to determine solvency liabilities have fallen and remain low and demographic changes such as increases in life expectancy have continued to negatively affect the solvency position of some DB Plans. This has created funding challenges for some plan sponsors.

To assist plan sponsors, most jurisdictions have implemented a variety of temporary solvency relief, moratorium or permanent exemptions for all, or certain plan types (normally public sector or multi-employer/collectively bargained plans). Many of these measures still exist today.

Current relief measures in Manitoba include a regulation amendment that permits plan sponsors to elect, for the first valuation date between December 30, 2016 and January 2, 2019, to consolidate and amortize existing solvency deficiencies over a single, new, ten-year period with member buy-in. Regulation amendments also permit specified public sector plans and non-profit sector plans to elect a permanent exemption from solvency funding, and four plans to elect a temporary solvency funding moratorium.

Quebec eliminated solvency funding for all DB plans effective January 1, 2016 and replaced it with enhanced going concern funding requirements. The new funding regime requires that existing going concern deficiencies are consolidated at each valuation date and funded over 10 instead of 15 years, a “Stabilization Provision” (funding required to protect the plan against unexpected situations), and a “Banker’s Clause” (holds certain employer contributions until they are used to fund deficits or withdrawn as surplus subject to certain conditions). It also changes the commuted value calculation on termination of membership and puts limits on benefit improvements.

The Financial Services Commission of Ontario announced in 2017 that it would be replacing solvency funding with enhanced going concern funding. The new funding regime involves shortening the going concern amortization period from 15 years to 10 years, consolidating existing deficiencies into a new deficiency at each valuation date, funding of a reserve within the plan called a Provision for Adverse Deviation (PfAD) to manage future risks, and requiring solvency funding if the plan’s solvency ratio falls below 85%.

Nova Scotia released a consultation paper in September 2017 on a new funding framework for DB Plans. The consultation period ended November 10, 2017.

The focus of Manitoba’s current review of the funding framework for DB Plans is to develop a balanced set of solvency funding reforms that focus on plan sustainability, affordability and benefit security that takes into account the interests of pension stakeholders – including pension plan sponsors, unions, members and retirees.

Possible options for a DB Plan funding framework in Manitoba are set out below.

Option 1 - Eliminate solvency funding and enhance going concern funding

Solvency funding could be eliminated completely or in part and replaced with a regime that requires enhanced going concern funding. Going concern funding assumes a plan will continue indefinitely. The going concern liability, does not represent the real cost of paying out the promised benefits for plan members at a particular time. For this reason, eliminating solvency funding requirements should be accompanied by strengthened going concern funding.

Consideration could be given to one or more of the following enhanced going concern funding approaches if solvency funding is eliminated in whole or in part.

Approach A – Shorten the amortization period
Shorten the current 15-year going concern amortization period over which deficiencies must be funded (e.g. 10-years).

Approach B – Require a provision for adverse deviation (PfAD)
Require funding of a PfAD, which is an amount in excess of a plan's liabilities that must be funded before the plan may take action such as benefit improvements that could weaken the plan's funded position.

Approach C – Solvency trigger for enhanced funding
Use a plan's solvency ratio to determine whether additional funding is needed or if the plan would be allowed to take action that would weaken its funded position. For example, if the plan's solvency ratio falls below a certain threshold of solvency (e.g. 85%), additional funding requirements would be triggered until the solvency ratio reaches a certain threshold (e.g. 85%).

Approach D – Consolidation of deficiencies
Consolidate existing deficiencies into a new deficiency at each valuation date.

Option 2 – Introduce solvency reserve accounts

Permit solvency reserve accounts (SRAs) as a separate account within a pension plan fund established to hold solvency deficiency payments greater than those required to meet the plan's solvency funding obligations in respect of a solvency deficiency.

Funds in the SRA could be used to fund shortfalls or, with the consent of the Superintendent, the employer could withdraw up to a prescribed maximum when the solvency ratio exceeds a certain threshold in excess of 100% (e.g. 105%). Employer withdrawals would be permitted irrespective of a plan's provisions. Upon plan wind-up and the settlement of all benefits, any remaining assets in the SRA would go back to the employer.

Option 3 – Eliminate solvency funding

Eliminate solvency funding entirely without making any changes to the going concern funding requirements.

Option 4 – Maintain the current solvency funding rules

Maintain the current going concern and solvency funding requirements.

Discussion questions

7. Are any of the above options reasonable and practical in a Manitoba context?
8. If so, which option or combination of options described above would be most effective in balancing the different interests of plan sponsors, unions, members and retirees?
9. If a regulatory framework based on option 1 is developed, which approach or combination of approaches described under option 1 should be considered?
10. If the 100% solvency threshold is reduced to require partial funding, is a threshold of 85% appropriate? If not, what should the threshold be?
11. Are there any other reforms to the funding framework that should be considered?

Part 5 - Locking-in provisions and access to locked-in pension funds

Pension plans are established by employers to provide lifetime pension income in retirement to their employees, known as the "pension promise".

All jurisdictions permit pension funds to be unlocked under certain conditions. Only the amount that can be unlocked and the conditions for unlocking varies.

Manitoba's legislation is generally consistent with other jurisdictions. In Manitoba, the locking-in exceptions for Locked-in Retirement Accounts (LIRAs) and Life Income Funds (LIFs) involve:

- small amounts of less than 40% of the Year's Maximum Pensionable Earnings ($22,360.00 for 2018);
- shortened life expectancy of less than two years;
- Canadian non-residency of two years or more; and
- LIF owners who are at least age 55 may apply for a one-time transfer of up to 50% of the balance in his or her LIFs to a RRIF that is not locked-in.

All jurisdictions permit pension funds to be unlocked in the event the fund is considered a small benefit, subject to certain conditions that vary by jurisdiction.

Every jurisdiction permits pension funds to be unlocked in the event of shortened life expectancy. The definition of shortened life expectancy varies by jurisdiction. In general, Manitoba, Nova Scotia and Ontario require that the life expectancy be less than two years. New Brunswick, Ontario, Quebec and the Federal government permit pension funds to be unlocked in the case of mental disability and physical disability.

All jurisdictions permit funds to be unlocked in the event of non-residency as determined under the *Income Tax Act* (Canada).

Partial unlocking, subject to certain conditions that vary by jurisdiction, is permitted in all jurisdictions except one. Saskatchewan is the only jurisdiction that permits full unlocking at retirement.

Alberta, British Columbia, Nova Scotia, Ontario and the Federal government permit pension funds to be unlocked in the event of financial hardship, subject to certain conditions that vary by jurisdiction.

Discussion questions

12. Should Manitoba develop a regulatory framework to permit locked-in funds to be accessed due to financial hardship? If so, under what conditions?
13. Should other reforms to the locking-in provisions in the PBA be considered?

Part 6 – Compulsory pension plan membership

Under the PBA, full-time employees are required to join the pension plan upon satisfying the service criteria for determining compulsory membership, which cannot exceed two years.

Non full-time employees are required to join the plan upon satisfying the service criteria for determining compulsory membership for full-time employees and one of the following:

- 700 hours of employment with the employer in each of two consecutive calendar years;
- earnings of not less than 35% of the Year's Maximum Pensionable Earnings in each of two consecutive calendar years; or
- satisfying the earliest of the above hours or earnings criteria.

Students, members of religious groups, employees hired before 1984 or the effective date of the plan if later, and employees receiving pensions that return to work for the same employer, are exempt from the compulsory membership requirements.

Discussion questions

14. Should Manitoba continue to require compulsory pension plan membership as a condition of employment where there is a pension plan in effect?
15. Should members be permitted to opt out of plan membership?
16. Should members be able to set their contribution rate to 0% if a specified period has passed since they started contributing to the plan (e.g. 12 months)?

Part 7 – Division of pensions on relationship breakdown

Under the PBA, where there is a court order under *The Family Property Act* (FPA) or a written agreement regarding a division of family property, the administrator must divide the pension or pension benefit credit accumulated during the marriage or common-law relationship on a 50/50 basis regardless of the provisions of the order or agreement. The parties may opt-out of the 50/50 division in the manner prescribed by the PBA.

Manitoba is the only jurisdiction who requires that the pension earned during the period of the relationship be divided equally, regardless of an agreement or court order to the contrary. All other jurisdictions permit the parties under the FPA to determine the portion of the pension to be divided, subject to the spouse or common-law partner receiving no more than 50% of the pension earned during the period of the relationship.

Discussion questions

17. Should the current framework requiring a mandatory 50/50 division of the pension earned during the period of the relationship be maintained?
18. Should the current framework be amended to permit parties to determine the portion of the pension to be divided, subject to the spouse or common-law partner receiving no more than 50% of the pension earned during the period of the relationship?

Part 8 – Clarification/legislative gaps

Other matters for discussion are set out below.

Discussion questions

19. For plans not already designated as a multi-unit pension plan (MUPP), is it reasonable in a Manitoba context to replace MUPPs with multi-employer pension plans and specified multi-employer pension plans, consistent with the provisions in other jurisdictions and the *Income Tax Act* (Canada)?
20. Should the provisions setting out when an individual ceases to be an active member of a DB Plan be amended to provide that a member can choose to suspend membership and contributions at normal retirement age (normally age 65) while remaining employed, and upon subsequent commencement of a pension, receive the actuarially increased value of the pension accrued to age 65?
21. Should the provision setting out entitlement to ancillary benefits be amended to clarify when an ancillary benefit is vested and must be included in the calculation of commuted values?
22. Should the pension committee requirements be amended to clarify that if there is no inactive member in the plan, or no inactive member willing to be on a pension committee, the inactive member position can remain vacant?

Part 9 – Glossary of pension terms

Accrued Pension - Amount of pension earned up to a given date by a member according to employment, earnings, etc.

Ancillary Benefits - Benefits in addition to regular pension benefits. Examples include bridging benefits (additional benefits paid until CPP or OAS commences) and enriched early retirement benefits (an example is the Rule of 80 that provides an unreduced pension if age and service equals 80).

Going Concern Funding - Determination of the funded status of the plan on the basis that the plan continues indefinitely. Any shortfall (unfunded liability) must be funded over 15 years.

Life Income Fund (LIF) - A RRIF that is subject to the locking-in requirements of the PBA. A LIF provides the owner with income each year subject to certain minimum and maximum withdrawal rules.

Locked-In - Legislative requirement that pension benefits cannot be withdrawn as a lump sum and must be used to provide lifetime retirement income.

Locked-In Retirement Account (LIRA) - A RRSP that is subject to the locking-in requirements of the PBA. A LIRA holds pension funds on a locked-in basis, meaning they cannot be withdrawn or cashed out, until they are transferred to a LIF or to an insurance company to purchase an annuity.

Member - An employee or former employee who is accruing, entitled to, or receiving a pension under the plan.

Multi-Employer Pension Plan (MEPP) - A plan established by a trade union or association in which more than one employer in the industry participates. Participating employers pay contributions into a common fund, often on a cents-per-hour basis.

Multi-Unit Pension Plan (MUPP) - A plan designated as a MUPP under the PBA. A MUPP is established by one or more employers in co-operation with two or more unions or associations and may cover non-unionized employees as well as unionized employees.

Plan Wind-up - Occurs when a pension plan ceases to operate and all benefits are settled.

Solvency Deficiency - Any amount by which the plan's solvency liabilities exceed the solvency assets as of the valuation date.

Solvency Funding - Determination of the funded status of the plan on the basis that the plan terminates on the valuation date. Any shortfall (solvency deficiency) must be funded over five years.

Solvency Ratio - The ratio of the plan's assets to the plan's liabilities, determined on a solvency funding basis.

Specified Multi-Employer Pension Plan (SMEPP) - A multi-employer plan where employer contribution rates are negotiated under a collective agreement and contributions are based on hours worked by employees.

Unfunded Liability - Any amount by which the assets of a pension plan are less than its liabilities on a going concern basis.

Valuation Date - Pension plans must be reviewed by an actuary every three years, unless the solvency ratio is less than 0.9, in which case the plan must be reviewed every year.

Year's Maximum Pensionable Earnings (YMPE) - Employment earnings on which Canada Pension Plan contributions and benefits are calculated. The YMPE is changed each year according to a formula based on average wage levels. The YMPE for 2018 is $55,900.00.

MINISTER OF FINANCE

RECOMMENDATIONS FOR REFORMS TO *THE PENSION BENEFITS ACT* (PBA)

THE PENSION COMMISSION OF MANITOBA

NEW PLAN DESIGNS

Recommendation

That a new target benefit/shared risk plan design for single employer, multi-employer, private sector and public sector plans is permitted. The new plan design should be flexible enough to apply to a broad range of pension plans. It should also require that the plan is jointly trusteed, is exempt from solvency funding, applies only to future benefit accruals, and pays going concern commuted values based on the funded status of the plan.

Rationale for Recommendation

The new target benefit/shared risk plan design would provide cost certainty with a defined benefit (DB) promise. This may encourage DB participation if plan sponsors can rely on a fixed cost of benefits.

Multi-unit pension plans (MUPPs) permit the reduction of accrued benefits. Under a non MUPP members are entitled to the promised benefit which must be funded by the plan sponsor. Under the new plan design accrued benefits may be reduced. To protect benefits accrued to the date of conversion, the new plan design should apply prospectively only.

Commentary

Manitoba currently permits MUPPs. These plans are similar to target benefit plan in that employee and employer contributions are fixed through collective agreements, they are jointly trusteed, and benefits can be reduced with the Superintendent's approval to the degree necessary to meet solvency funding requirements. All jurisdictions have similar legislation. There are five DB MUPPs in Manitoba.

The commission considered three new plan designs: Jointly Sponsored Pension Plans, Target Benefit Plans and Shared Risk Pension Plans.

Jointly Sponsored Pension Plan (JSPP)

JSPPs are contributory DB plans in which the employer and members share responsibility for the plans governance and funding. If there is a shortfall, both the employer and member are responsible for funding a portion of the shortfall. JSPPs are generally funded on a solvency basis and must be administered by a board of trustees or similar body with equal employee and employer representation. British Columbia, Alberta and Ontario have passed JSPP legislation.

Target Benefit Plan (TBP)

TBPs specify a target pension, with no guarantee that the pension provided at retirement will equal the target amount. The actual benefit is determined based on affordability, with the ability to adjust benefits as the plan's experience develops. Employee and employer contributions are at a fixed level, often collectively bargained. Since members share in the responsibility of ensuring the plan is sufficiently funded their contributions can increase more easily. As the employer's liability is limited to the fixed contribution, employers are not required to fund deficits. If a valuation identifies that the plan has a deficit, benefits may reduced whether in payment or not, future accruals may be reduced, and contributions increased.

While TBPs may be exempt from solvency funding, they may also be subject to more stringent going concern funding requirements, such as the requirement to include a provision for adverse deviation or accelerated going concern funding.

A wide range of TBP models are possible. Alberta permits TBPs for future service only, British Columbia for multi-employer plans only, the federal government for single and multi-employer plans using a framework similar in many respects to the New Brunswick SRPP, and Ontario for all private sector and Crown corporation plans but not core public sector plans governed by statutes (i.e. *Public Service Superannuation PBA, Canadian Forces Superannuation PBA, Royal Canadian Mounted Police Superannuation PBA).*

<u>*Shared Risk Pension Plan (SRPP)*</u>

The New Brunswick (NB) SRPP is permitted for its public sector plans and single and multi-employer plans in both unionized and non-unionized environments. While similar to a TBP, the SRPP has some distinct characteristics. SRPPs can be administered by a trustee, board of trustees or non profit corporation.

The SRPP provides a minimum base/target pension, usually based on career average earnings (percentage of each year's earnings). Benefit adjustments (both increases and reductions) are based on pre-set reserve levels and a pre-determined order of adjustments.

SRPPs must have a "funding excess utilization plan" and "funding deficit recovery plan". The "funding excess utilization plan" specifies the minimum funded ratio to be maintained in the plan (which must be at least 105%) before benefit improvements are granted. The "funding deficit recovery plan" specifies the measures that must be implemented if the funded ratio falls below 100% in two successive valuations. Corrective measures may include the reduction/removal of future ancillary benefits, up to a 5% reduction of base benefits, and as a last resort the reduction of past service benefits for all members (including pensioners).

Contributions are determined based on legislated funding requirements for both base/target benefits and enhanced benefit objectives, plus an amount expected to be sufficient to meet risk management goals.

SRPPs are exempt from solvency funding. Annual stress testing must be conducted and a going concern actuarial valuation done at least once every three years.

The NB government civil service plan, legislative assembly and teacher's plan were converted to SRPPs in 2014. Three legal challenges against the government's unilateral decision to convert the public sector plans to a SRPP are pending.

SOLVENCY DEFICIENCY FUNDING RULES

Recommendation

That the current solvency rules are replaced with a regime that requires enhanced going concern funding. Solvency funding would only be required if the plan's solvency ratio is below a threshold level of 85% and solvency funding required only until the solvency ratio has increased to at least the threshold level.

That solvency reserve accounts (SRAs) are permitted as a separate account within a plan fund to hold solvency deficiency payments that can be used to fund shortfalls, or withdrawn by the employer subject to prescribed conditions, if surplus exceeds a prescribed amount.

Rationale for Recommendation

Reducing solvency funding was seen as a priority since it is placing a significant burden on plan sponsors – leading to DB plans winding up or converting to defined contribution plans – usually with less generous benefits for plan members.

However, eliminating all solvency funding was deemed not to be appropriate given some plans wind up in a deficit position and protecting members' benefits is a priority. While there is no specific basis for setting the threshold level to 85%, the commission feels this is a reasonable level. Having a threshold of 85%, instead of the current 100% level, would maintain some degree of funding that does not get too far removed from the wind up liabilities.

Commentary

Market downturns, declines in long-term rates used to calculate solvency liabilities, and improvements in life expectancies have led to increased solvency payments creating significant funding challenges for some plan sponsors. Stakeholders have been lobbying for relaxation or elimination of solvency funding rules. This has resulted in jurisdictions implementing a variety of temporary solvency relief, moratorium or permanent solvency exemptions, leading to claims of differing treatment between jurisdictions.

The commission considered concerns surrounding the current solvency funding rules and reviewed various alternative funding measures including Quebec's revised funding regime and measures set out in the Ontario Ministry of Finance consultation paper titled "Review of Ontario's Solvency Funding Framework for Defined Benefit Pension Plans".

Approaches reviewed included:

- Eliminating solvency funding entirely.
- Replacing solvency funding with enhanced going concern funding by requiring: funding of an excess amount (provision for adverse deviation), shortening the

current period for funding unfunded liabilities, restricting investment assumptions to a maximum amount set by the Superintendent, or basing funding/benefit improvements on the solvency position of the plan.

- Modifying solvency funding rules by requiring: funding based on an average solvency ratio, lengthening the current period for funding solvency deficiencies, permitting the ongoing consolidated and re-amortized of existing solvency deficiencies, or permitting partial funding of deficits or certain benefits.
- Permitting solvency reserve accounts as another tool available to plan sponsors to address funding concerns.
- Adopting Quebec's funding regime that replaces solvency funding with stricter going concern funding requirements, requires funding of a stabilization provision, and provides for a bankers clause that permits access to excess funds.

LOCKING-IN PROVISIONS AND ACCESS TO LOCKED-IN PENSION FUNDS

Recommendation

That Manitoba permit Locked-in Retirement Accounts (LIRAs) and Life Income Funds (LIFs) to be unlocked due to financial hardship. The conditions for financial hardship unlocking would be: eviction for rental arrears, foreclosure, medical/dental expenses not covered by other insurance/government programs and up to $27,650 if an individual's annual income is less than 2/3 of the YMPE (36,867 for 2017).

That full (100%) unlocking of LIRAs and LIFs is permitted at age 65. The unlocked funds should be allowed to be transferred to a RRSP.

The current provisions allowing LIF owners upon attaining age 55 to make a one-time transfer of 50% of his/her LIF to a unlocked prescribed RRIF should be expanded to permit funds from a LIRA to be unlocked under the same conditions.

Rationale for Recommendation

Permitting unlocking due to financial hardship would be consistent with other jurisdictions.

Permitting a one-time transfer of 50% of the funds in a LIRA would reduce the administrative burden of moving funds between the LIRA and LIF in order to unlock 50% of the funds.

The commission is of the view that LIRA and LIF owners will appropriately manage their funds to ensure that they have pension income for life if permitted to fully unlock their LIRA and LIF at age 65.

Commentary

All jurisdictions permit pension funds to be unlocked under certain conditions. Only the amount that can be unlocked and the conditions for unlocking varies. Manitoba's legislation is generally consistent with other jurisdictions in respect of access to locked-in funds due to shortened life expectancy, non-residency and small benefits.

All jurisdictions except British Columbia permit partial unlocking under age 65. The amount that can be unlocked varies from 50% (Alberta, Federal Government, Manitoba, Nova Scotia and Ontario), 40% (Newfoundland and Labrador and Quebec) and a maximum of 25% of the LIF balance (New Brunswick). Saskatchewan is the only jurisdiction that permits 100% of the funds to be unlocked at age 55 or the early retirement date in the pension plan under which the locked-in funds originated.

Between June 10, 2005 and February 2, 2017, there were 17,259 requests by LIF owners to unlock 50% of their LIF. The total amount unlocked to date is approximately $997 million.
Alberta, British Columbia, Nova Scotia, Ontario and the Federal government permit

LIRAs and LIFs to be unlocked in the event of financial hardship. The financial hardship conditions are similar between these jurisdictions.

In Manitoba LIRAs and LIFs are exempt from consideration by social assistance agencies and employment insurance and are protected from creditors. They can be attached to enforce family support obligations.

COMPULSORY PENSION PLAN MEMBERSHIP

Recommendation

That Manitoba continue to require compulsory pension plan membership where there is a pension plan in effect as a condition of employment.

Rationale for Recommendation

The commission is of the view that although Manitoba is the only jurisdiction that requires compulsory membership as a condition of employment, it should be maintained as means of extending pension plan coverage, would not present financial hardship, and would not create excessive savings.

Commentary

Under the PBA a full-time employee must join the pension plan upon satisfying the service criteria for determining compulsory membership which cannot exceed two years.

Non full-time employees must join the plan upon satisfying the service criteria for determining compulsory membership for full-time employees and one of the following:

- 700 hours of employment with the employer in each of two consecutive calendar years;
- earnings of not less than 35% of the Year's Maximum Pensionable Earnings in each of two consecutive calendar years; or
- satisfying the earliest of the above hours or earnings criteria.

Students, members of religious groups, employees hired before 1984 or the effective date of the plan if later and employees receiving pensions that return to work for the same employer are exempt from the compulsory membership requirements.

The commission considered the proposed Pooled Registered Pension Plan (PRPP) legislation which permits employees to opt out of plan membership and to set their contribution rate to 0%, and the changes to the CPP that will increase the employer and employee contribution rate and increase the CPP benefits in making its recommendation.

DIVISION OF PENSIONS ON RELATIONSHIP BREAKDOWN

Recommendation

That the portion of the pension to be divided is determined under *The Family Property Act* (FPA) rather than the PBA, subject to the spouse or common-law partner not receiving more than 50% of the pension earned during the period of the relationship.

Rationale for Recommendation

The proposed change would make Manitoba's legislation consistent with other jurisdictions, give parties the flexibility under the FPA or a prenuptial agreement to decide based on their individual circumstances on the portion of the pension they wish to divide while still providing spousal protection and address the uncertainty caused by a recent court decision that allowed the parties to exempt themselves from the credit splitting provisions under a prenuptial agreement.

Commentary

Under the PBA where there is a court order under the FPA or a written agreement regarding a division of family property, the pension accumulated during the marriage or common-law relationship must be divided on an equal (50/50) basis regardless of the provisions in any order or agreement. Alternatively the parties can opt-out of the division of the pension entirely in the manner prescribed by the PBA.

This requirement reflects the position taken in 1984 that pensions warrant unique treatment, different from other family assets. Irrespective of judicial discretion, pensions should not be allowed to be "traded off" by the parties and 50% of the pension earned during the relationship should automatically be assigned to the spouse or common-law partner.

Manitoba is the only jurisdiction that regulates the portion of the pension that must be divided under the PBA. All other jurisdictions permit the parties under the FPA (or similar legislation) to reach an agreement regarding the portion of the pension to be divided, subject to a maximum amount (normally 50%).

A recent court decision (Dundas v Schafer) found that parties by means of a prenuptial agreement could exempt themselves from the mandatory credit splitting provisions in the PBA. This has created uncertainty and confusion regarding the effect of this decision on the mandatory credit splitting provisions of the PBA.

CLARIFICATION/LEGISLATIVE GAPS

The commission wishes to raise for consideration the following reforms to the PBA.

- That the MUPP provisions are amended consistent with the multi-employer and specified multi-employer provisions in other jurisdictions and the *Income Tax Act* (Canada)
- The provision setting out when an individual ceases to be an active member of a DB plan is amended to provide that a member can choose to suspend membership and contributions at normal retirement age (normally age 65) while remaining employed. Upon subsequent commencement of a pension, the pension accrued to age 65 would be actuarially increased from age 65 to the member's actual retirement date.
- The provision setting out entitlement to ancillary benefits is amended to clarify when an ancillary benefit is vested and must be included in the calculation of commuted values.
- The pension committee requirements are clarified to address that when there is no inactive member in the plan or no inactive member willing to be on a pension committee the position can remain vacant.

Brandon University
Supplementary Pensions

Brandon University Pension Increases - Reflecting 13/01 amendment (effective starting with increase on July 1, 2013)

	Net Investment Return (Market Value)	Four-Year Geometric Average Return	Excess of Average Return over 6%	Dec. CPI	Increase in CPI	Actual COLA	COLA Enhancements for prior years' capped increases	Effective Date of COLA Increase	Calculated Excess above CPI
2012	9.38%	8.45%	2.45%	121.2	0.8%	1.39%	0.59%	01-Jul-2013	1.65%
2013	16.22%	8.45%	2.45%	122.7	1.2%	1.70%	0.50%	01-Jul-2014	1.25%
2014	8.53%	7.93%	1.93%	124.5	1.5%	1.50%	0.00%	01-Jul-2015	0.43%
2015	3.93%	9.43%	3.43%	126.5	1.6%	1.60%	0.00%	01-Jul-2016	1.83%
2016	7.92%	9.06%	3.06%	128.4	1.5%	1.50%	0.00%	01-Jul-2017	1.56%
2017	11.04%	7.82%	1.82%	130.8	1.9%	1.82%	0.00%	01-Jul-2018	0.00%
2018 breakeven	*1.38%*	*6.00%*	*0.00%*					*01-Jul-2019*	

* Note: pension increases are also applied to pensions in pay and deferred pensions

Eckler
CONSULTANTS + ACTUARIES

TO : Brandon University Pension Trustees
FROM : Andrew Kulyk, Eckler Ltd.
CC :
DATE : February 5, 2018
RE : **Pension Plan Extrapolated Financial Position as at December 31, 2017**

I have prepared an estimate of the going-concern financial position of the Brandon University Retirement Plan as at December 31, 2017 and University contribution for the 2018 calendar year. Please note the results provided are estimates only and should not be relied upon to determine actual funding requirements for the 2018 plan year. The previous valuation interest rate continues to be appropriate. I have also provided an estimate using 5.45% should the trustees desire to add some additional margins to coincide with the improvement in the financial position of the plan.

	5.55% Estimated Dec. 31, 2017	**5.45% Estimated Dec. 31, 2017**	**Dec. 31, 2016**
Going concern surplus / (unfunded liability)	($2,083,000)	($4,274,000)	($5,116,000)
	2018	**2018**	**2017**
Estimated University current service cost	$3,104,000	$3,203,000	$3,108,000
Estimated minimum special payment for the unfunded liability	$293,000	$599,000	$664,000
Total Estimated University Contribution	$3,397,000	$3,802,000	$3,772,000

Based on a valuation interest rate of 5.55%, the estimated minimum 2018 University contribution would decrease from the 2017 estimated University contribution by $375,000. Adding 10bp of margin for adverse deviation, thereby reducing the valuation interest rate by 10bp, would result in approximately the same level of contributions for 2018 as were made in 2017.

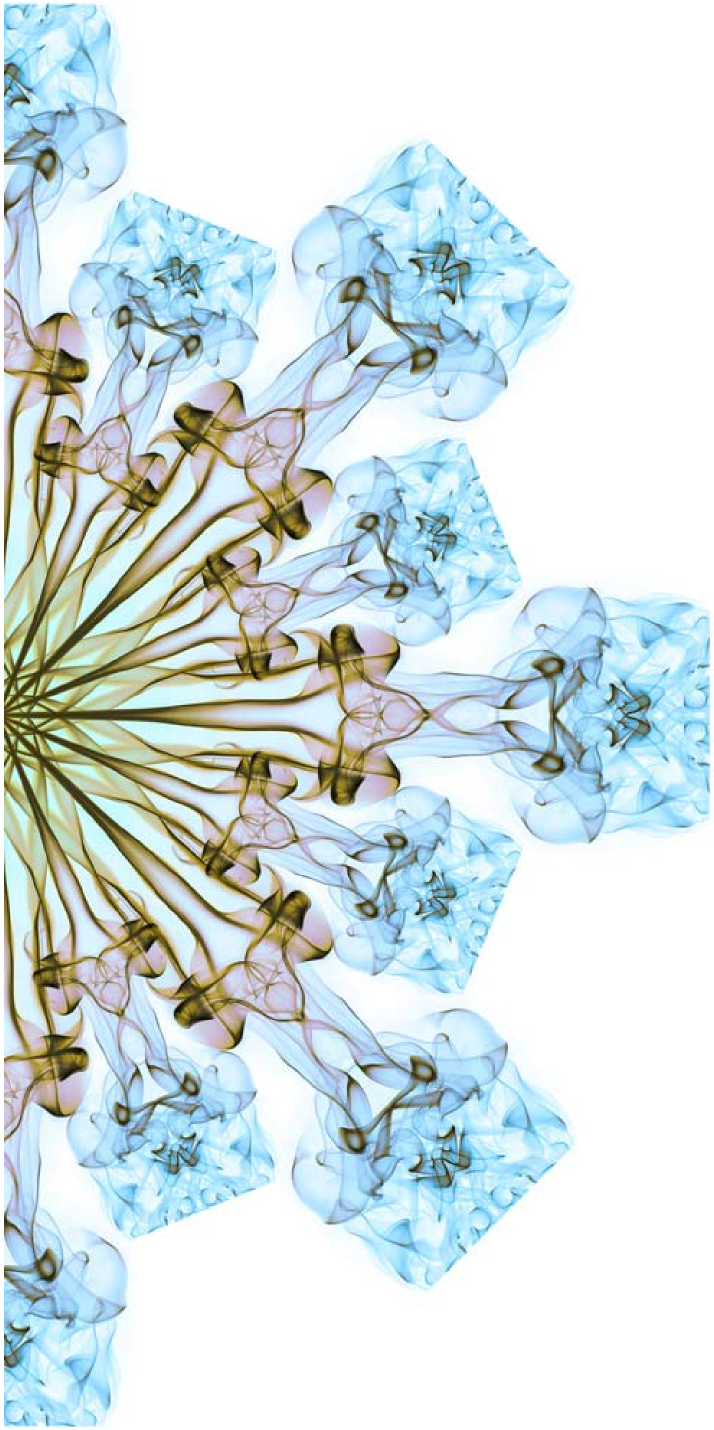
These results are based on an extrapolation of the liability from the funding valuation as at December 31, 2016. Our extrapolated liability is adjusted for the following:

- We have used the same actuarial assumptions as the December 31, 2016 valuation (except for the discount rate as noted).
- We have assumed that 2018 pensionable payroll will increase by 3% overall from 2017 estimated pensionable payroll. The 2017 estimated pensionable payroll was determined in our December 31, 2016 actuarial valuation. The estimated 2018 pensionable payroll is $37,663,000.

July 1, 2018 Pension Increase

The estimated December 31, 2017 unfunded liability shown above reflects a pension increase of 1.82% effective July 1, 2018. The estimated increase in the liability due to the increase is $1,053,000[1] as the actual increase exceeds the assumed increase of 0.75%.

[1] The estimate is based on a valuation interest rate of 5.55%. This amount increases if valued using 5.45%.



Brandon University – Actuarial Assumptions for the December 31, 2017 Valuation

Presentation to Trustees – February 12, 2018

Eckler
CONSULTANTS + ACTUARIES

Agenda
Valuation as at December 31, 2017

1. Brief valuation overview
   a) Going Concern Valuation
      a) Methods
      b) Economic assumptions
      c) Other assumptions
   b) Hypothetical Wind-up & Solvency Valuation
2. Relevant environment (changes)
3. Valuation Assumptions

Valuation Overview

Going-Concern Valuation

- Plan is ongoing
- Long-term view
- Projections
- Funding basis (minimum)

Wind-up Valuation

- Plan-wind-up basis
- Assets valued at market value
- Required by actuarial standards
- Maximum funding per ITA

Solvency Valuation

Similar to hypothetical Wind-up
Prescribed by legislation
Not used for funding – MB solvency exemption

Minimum and Maximum Cash Funding Contributions

Pension Trustees select margin

Actual Contributions

Solvency Ratio

Valuation Filing Frequency

Valuation Overview
Going-concern Valuation

- Actuary's best-estimate assumptions with or without margin for adverse deviation
- Economic assumptions:
  - Future investment return
  - Inflation, salary increases
- Demographic assumptions:
  - Retirement
  - Mortality
  - Termination
- Margins are added based on Trustees input
  - Funding policy (implicit or explicit)
  - Plan provisions

Valuation Refresher

Going-concern Valuation

Funding requirements:

> Current Service Cost

- Plan Formula Contribution, Matching 8%/6.2%/8%
- But not less than cost of benefits accruing for service in the period following the valuation

> Funding Shortfall

- Amortized over 15 years
- Monthly special payments are required
- One-time catch-up payment/relief for period between valuation date and filing date

Going Concern Valuation Methods

> Liability valuation methods

- Accrued benefit method
  - Required to determine minimum contributions under Pension Benefits Act
- Aggregate benefit method
  - Value of assets + future projected contributions = accrued liability + future accruing benefits
    - Solve for contribution rate
- Other Methods

> Asset valuation methods

- Market Value
- Smoothed Value

Valuation Refresher

Hypothetical Wind-up & Solvency Valuation

- Assume plan is wound-up and all benefits are settled
- Prescribed assumptions are used
  - Little or no flexibility in setting assumptions
- Economic assumptions:
  - Settlement rates (Commuted Value Standard, Annuity Proxy)
- Demographic assumptions:
  - Assume all members terminate or retire on date of valuation

University is exempt from funding on solvency basis

What Happened Since Previous Valuation
at December 31, 2016

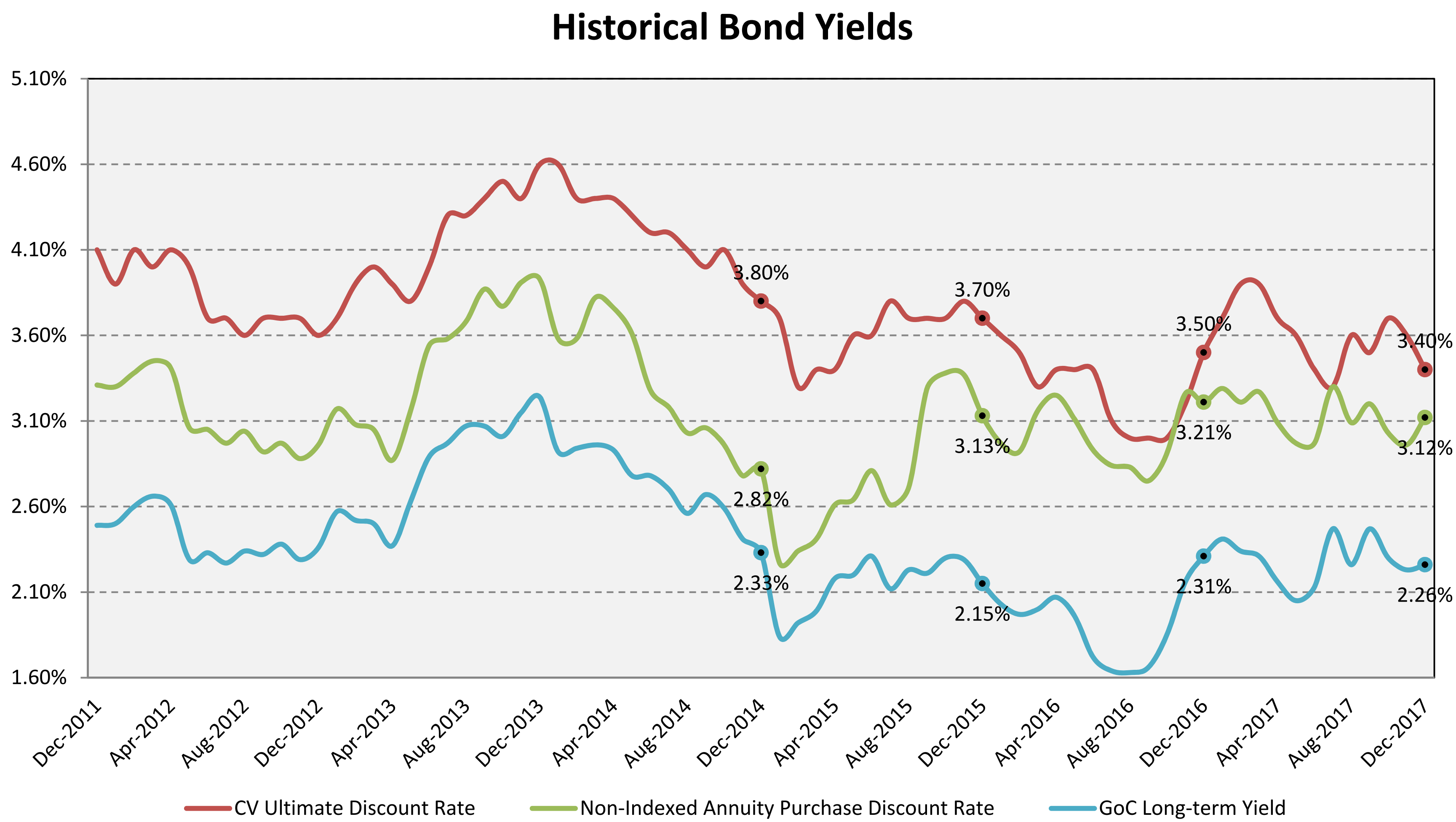
> Net fund return in 2017:
  - Market value return before expenses: 11.50%
    - Median balanced fund return = 8.79%
    - 95th percentile = 11.18%
  - Market value return net of expenses: 11.04%
  - Actuarial value (smoothed) return: 7.79%

> Change in CPI in Canada of 1.9%

> Manitoba released pension consultation

> New mortality improvement scale published (MI-2017)

> Bond yields spiked upwards and then declined to just below where they started the year


Historical Bond Yields
5.10%
4.60%
4.10%
3.60%
3.10%
2.60%
2.10%
1.60%
3.80%
3.70%
3.50%
3.40%
3.13%
3.21%
3.12%
2.82%
2.33%
2.15%
2.31%
2.26%
Dec-2011
Apr-2012
Aug-2012
Dec-2012
Apr-2013
Aug-2013
Dec-2013
Apr-2014
Aug-2014
Dec-2014
Apr-2015
Aug-2015
Dec-2015
Apr-2016
Aug-2016
Dec-2016
Apr-2017
Aug-2017
Dec-2017
CV Ultimate Discount Rate
Non-Indexed Annuity Purchase Discount Rate
GoC Long-term Yield

What Happened Since Previous Valuation
at December 31, 2016

- Very slight decrease in annuity purchase rate:
  - Based on preliminary guidance (subject to change)
  - Increased annuity purchase liability

- Slight net increase in commuted valued rates:
  - Select CV rate (first 10 years) increased 40bp
  - Ultimate CV rate (after 10 years) decreased 10bp
    - Decreased commuted value liability

Going Concern Valuation
Economic Assumptions

	31.12.2016	31.12.2017	Relative Impact on Liability
Investment Return	5.80% p.a. before margin 5.55% p.a. after margin	5.80% p.a. before margin 5.45% - 5.55% after margin	tbd
Increases in CPI	2.0% p.a.	Unchanged	Nil
Salary increases	3.0% p.a. plus merit & promotion (if applicable)	Unchanged	Nil
YMPE increases	3.0% p.a. from 2017 level of $55,300	3.0% p.a. from 2018 level of $55,900	Nil
Pensioner indexing	0.75% p.a.	Unchanged	Nil

Going Concern Valuation
Demographic Assumptions

	31.12.2016	31.12.2017	Relative Impact on Liability
Mortality	CPM2014Publ without size adjustments. Full generational improvements using scale CPM-B	CPM2014Publ without size adjustments. Full generational improvements using scale MI-2017	1% - 2% increase
Termination	30 – 16.8% 35 – 9.6% 40 – 6.6% 45 – 5.1% 50 – 3.6% 55 – 0% Commutation assumption included	Unchanged	Nil
Retirement	55-57 – 5.0% 58 – 7.5% 59-61 – 10% 62-63 – 15% 64 – 25% 65 – 35% 66-69 – 25% 70+ – 100%	Unchanged	Nil

Considerations in setting the Investment Return Assumption

> Components of the Investment return assumption (5.55%):
  - Asset mix
  - Return assumption for each asset class (weighted average 5.8%)
  - Rebalancing and diversification (0.5%)
  - Expenses (-0.50%)
  - Margins (-0.25%)

Considerations in setting the Investment Return Assumption

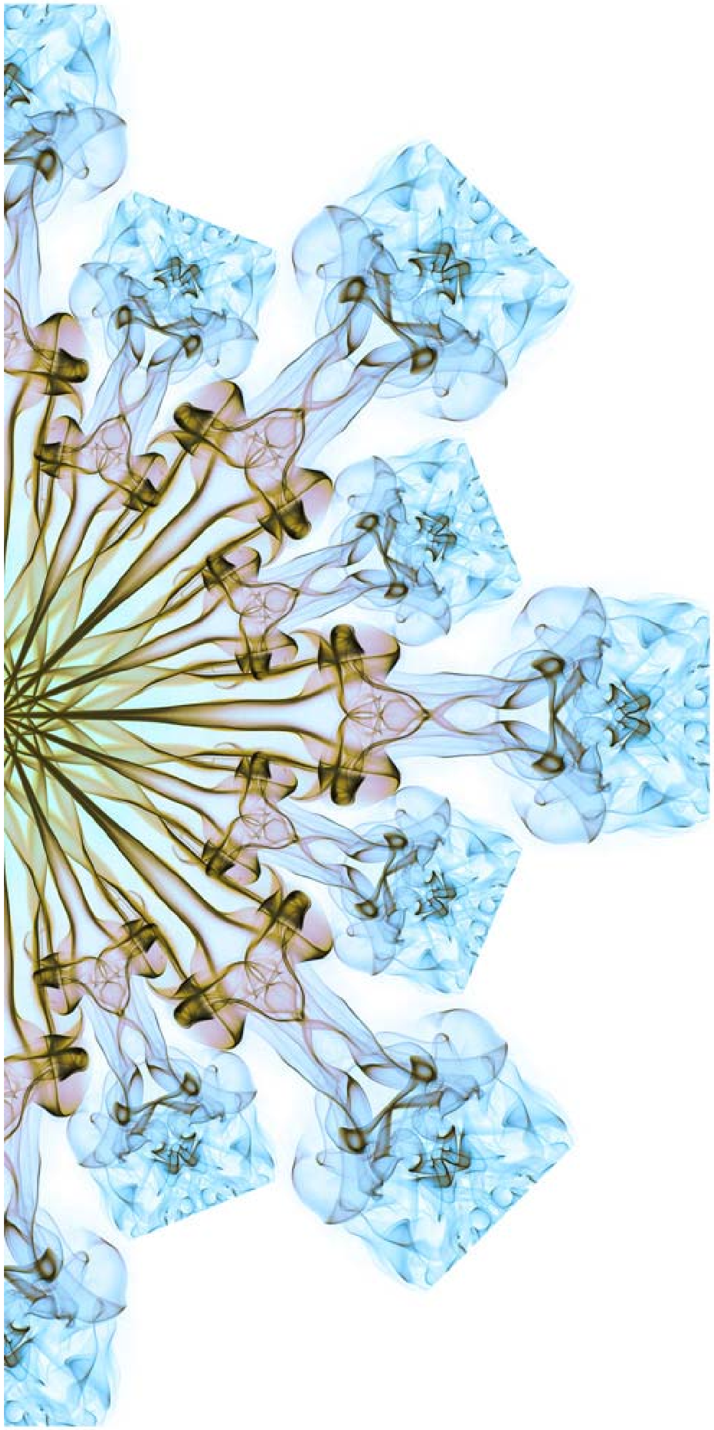
> Margins are used to facilitate the funding policy/objectives. The challenge is to strike a balance between conflicting objectives:

- Desired level of benefit security
  - Additional margins reduces future deficits/increases future surpluses
- Stability of funding requirements
  - Ex. Start with bigger margins and adjust each year as return expectations fluctuate
- Affordability

Valuation Assumptions
Solvency Valuation

	12.31.2016	12.31.2017
Commuted Value – 1st 10 years	2.2%	2.6%
Commuted Value – ultimate	3.5%	3.4%
Annuity Proxy	3.09%	3.01%*
Mortality Table	CPM2014	CPM2014

* *Annuity proxy rate of 2.9% is an estimate and is subject to change before the valuation is completed*



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TO	**:**	Brandon University Pension Trustees
FROM	**:**	Andrew Kulyk, Eckler Ltd.
CC	**:**	
DATE	**:**	February 5, 2018
RE	**:**	**Joint and survivor pension flow chart**

As discussed at the November trustee meeting, I have prepared a revised flow chart outlining and contrasting:

1. The operation of a joint and survivor (JS) pension under the current plan provisions, whereby the pension continues to be paid as a JS after a relationship breakdown.
2. The operation of a joint and survivor (JS) pension under the current plan provisions, whereby the pension is converted to two life only (LO) pensions after a relationship breakdown.

Executive Summary

The Pension Benefits Act was amended in 2010 to allow pension plans, following a relationship breakdown, to recalculate the divided pension as two life only pensions. Previously the original form of payment elected at retirement had to be maintained. The key feature of this change is that following the separation/divorce, the link and payment dependency between the member's and the ex-spouse's share of the pension can be eliminated. This avoids the unusual situation that occurs where new beneficiaries of the pension are designated. At the time of retirement, the only two intended beneficiaries are the member and ex-spouse.

The benefits of this are:

1. Understandability from the perspective of the member and ex-spouse,
2. Desire of member and ex-spouse to be de-linked, and
3. Administratively simpler in the future.

The disadvantage of this are:

1. While the two life only pensions are calculated on an actuarial equivalent basis (meaning the expected cost is neutral), the actual ultimate cost of the pensions may be more or less than what was originally elected. Maintaining the original form of payment would not affect the actual ultimate cost.
2. Administratively, there is one more step in the calculation at the time of separation.

Example 1 – Current plan provisions, JS pension is maintained

The following chart provides an example of a pension division under the current plan provisions, showing what happens assuming:

1. the member dies first, and
2. the ex-spouse dies first

Following the division the member and ex-spouse designate new beneficiaries, which could be their estate or perhaps a new spouse/common-law partner.

1. **Member Dies First (with JS60%)**
   If the member dies first:
   1. The ex-spouse's share of the divided pension reduces to 60%.
   2. The new ***beneficiary or estate of the member*** receives the member's reduced share of the pension (highlighted in orange) and receives a pension that is ***dependent on the life of the ex-spouse***.
      - In the case of an estate recipient, the estate of the member must remain "open" to receive and redistribute the pension payments which continue until the ex-spouse dies.

2. **Ex-spouse Dies First (with JS60%)**
   If the spouse dies first:
   1. There is no reduction to either pension, as would be the case if they never had a relationship breakdown.
   2. The new ***beneficiary or estate of the ex-spouse*** becomes the recipient of the ex-spouse's share of the pension (highlighted in orange), and that pension is ***dependent on the life of the member***.
      - In the case of an estate recipient, the estate of the member must remain "open" to receive and redistribute the pension payments which continue until the member dies.

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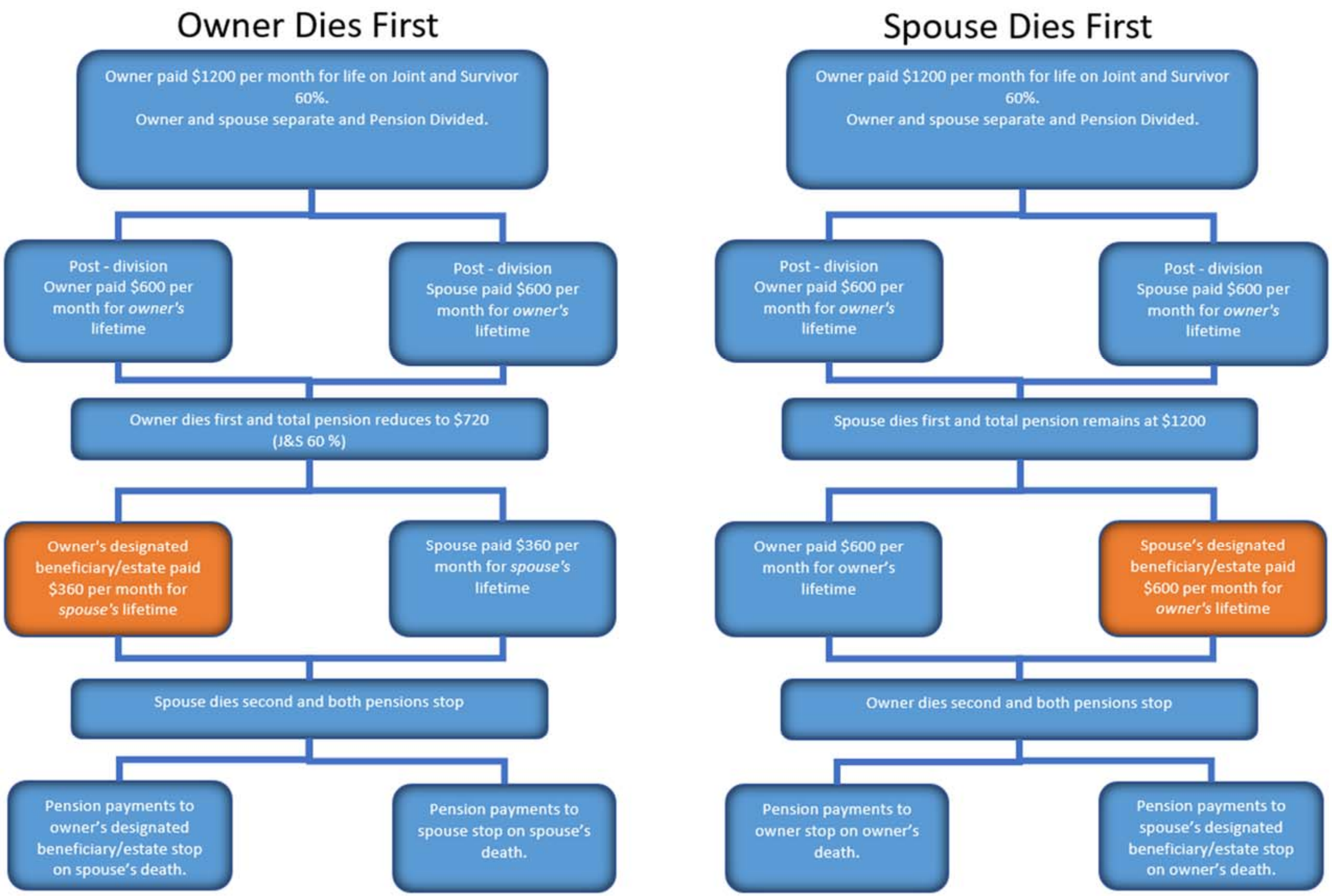
Example 1 – Current plan provisions, JS pension is maintained



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Example 2 – Proposed change, JS pension is converted to two actuarial equivalent life only pensions

The following chart provides an example of a pension division under the proposed plan provisions, showing what happens assuming:

1. the member dies first, and
2. the ex-spouse dies first

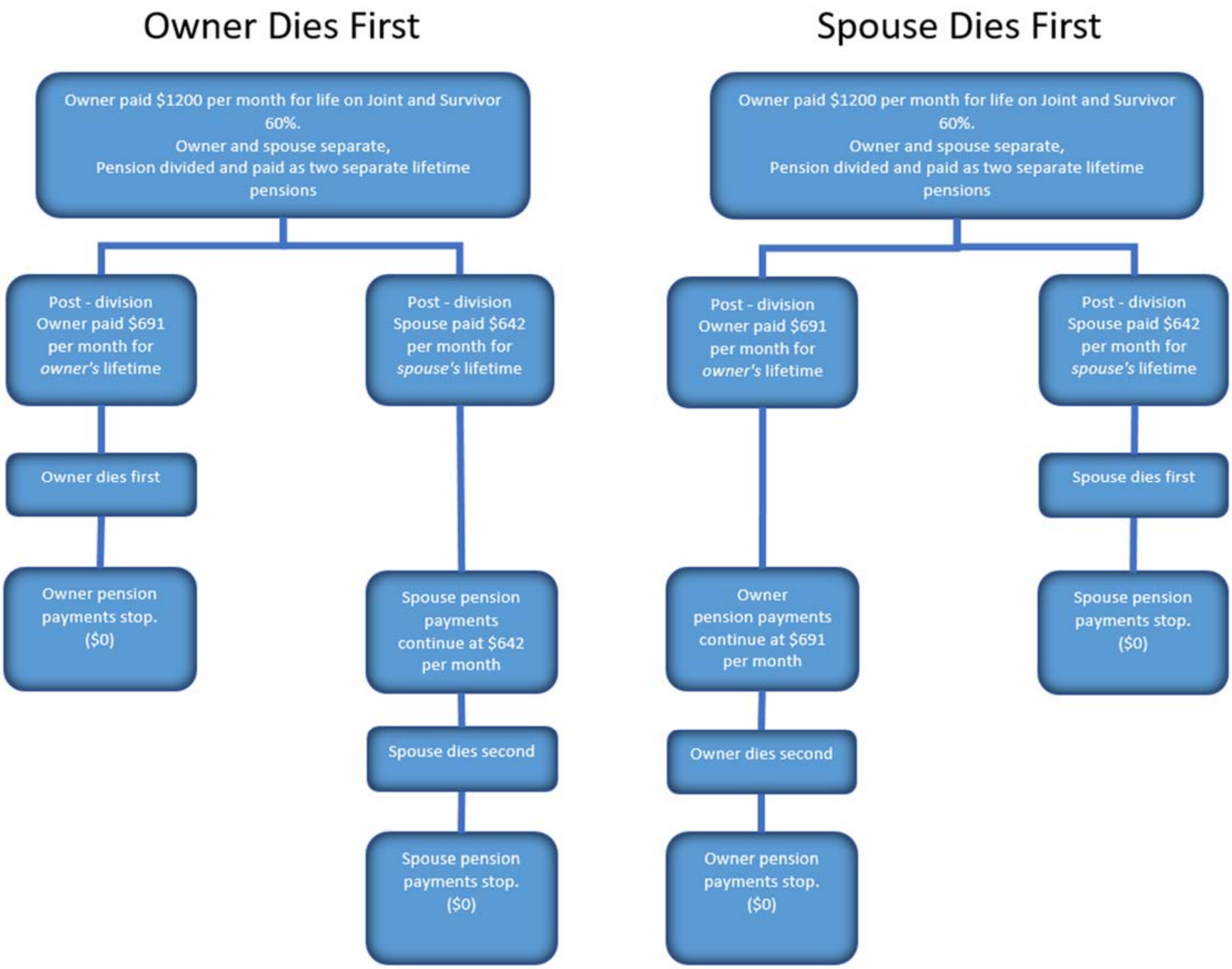
What happens under the proposed provisions is that following the pension division, each pension is independent of the other. The member and ex-spouse each receive a pension for their own lifetime.

- If the member dies first, the member's pension stops and the ex-spouse's pension continues unreduced for the remainder of the ex-spouse' lifetime.
- If the ex-spouse dies first, the ex-spouse's pension stops and the member's pension continues unreduced for the remainder of the member's lifetime.

The pensions do not decrease or stop with the death of the other member, and there is no new beneficiary or estate added into the mix.

It is worth noting that the total monthly amount paid as two life-only pensions typically increases by a nominal amount in order to be actuarial equivalent, as there is no survivor benefit. This is illustrated in the following chart.

Example 2 – Proposed change, JS pension is converted to two actuarial equivalent life only pensions



OFFICE OF THE
AUDITOR GENERAL
MANITOBA

January 22, 2018

Mr. Scott Lamont, FCGA
Vice-President (Administration and Finance)
Brandon University
270 – 18th Street
Brandon, Manitoba R7A 6A9

Ms. Heather Gillander
Chair, Board of Trustees
Brandon University Retirement Plan
270 – 18th Street
Brandon, Manitoba R7A 6A9

Dear Mr. Lamont and Ms. Gillander:

The purpose of this letter is to confirm our common understanding of the terms of the audit engagement.

The Board of Trustee has appointed the Auditor General of Manitoba the auditor of the Brandon University Retirement Plan.

We have appointed BDO Canada LLP to act as our agent in performing the audit. They will report to us, and we will review their work, throughout the audit.

Annual Audit

The audit of the Brandon University Retirement Plan financial statements is designed to enable the Auditor General of Manitoba to issue a report indicating whether, in his opinion:

- the financial statements present fairly, in all material respects, the financial position of the Brandon University Retirement Plan as at December 31, 2017, and the changes in net assets available for benefits and changes in pension obligations for the Plan for the year then ended in accordance with Canadian public sector accounting standards for pension plans.

The form and content of this auditor's report will be in accordance with Canadian Auditing Standard 700 *Forming an opinion and reporting on financial statements*.

There may be circumstances where our auditor's report will differ from the standard on form and content. In such cases, we will discuss with management in advance of finalizing our auditor's report and seek to resolve any difference of view that may exist. This will be communicated, if appropriate or necessary, to the Board of Trustees.

500 - 330 Portage Avenue Winnipeg, Manitoba R3C 0C4 office: (204) 945-3790 fax: (204) 945-2169
www.oag.mb.ca

Under the *Auditor General Act*, we are required to call attention to any other matter resulting from our work that, in our opinion, should be brought to the attention of the Legislative Assembly.

Our responsibilities

Audit. We are responsible to conduct our audit in accordance with Canadian generally accepted auditing standards (GAAS). Those standards require that we comply with ethical and independence requirements, and that we 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. An audit also involves evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

The scope of our audit will include obtaining, to the extent necessary to effectively carry out our work, an understanding of Brandon University Retirement Plan and its business environment, the business risks it faces, how the Brandon University Retirement Plan manages those risks, and its overall control environment.

Risk assessment. In making our risk assessments, we will obtain an understanding of internal control relevant to the preparation of the financial statements to design audit procedures that are appropriate in the circumstances. The scope of our review of internal controls will not be sufficient to express an opinion on the effectiveness or efficiency of your internal controls. However, we will inform the management and the Board of Trustees in writing of any significant deficiencies in internal control relevant to the audit of the financial statements that we have identified during the audit.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements in the financial statements may not be detected (particularly intentional misstatements concealed through collusion), even though the audit is properly planned and performed in accordance with Canadian generally accepted auditing standards.

Fraud. In planning and conducting the audit, we consider the possibility that fraud or error, if sufficiently material, may affect our opinion on the financial statements. Accordingly, we maintain an attitude of professional skepticism throughout the audit, recognizing the possibility that a material misstatement due to fraud could exist. Because of the nature of fraud, which could include attempts at concealment through collusion and forgery, an audit designed and executed in accordance with Canadian generally accepted auditing standards may not detect a material fraud. Furthermore, while effective internal control reduces the likelihood that misstatements will occur and remain undetected, it does not eliminate that possibility. For these reasons, we cannot guarantee that fraud, error, and illegal acts, if present, will be detected.

Communication of matters. We will inform management and, if appropriate or necessary, the Board of Trustees of the following matters that we may have identified during our audit:

- misstatements, resulting from error (other than trivial errors), and the request to correct those misstatements.
- fraud or any information obtained that indicates that a fraud may exist.
- any evidence obtained that indicates non-compliance, or suspected non-compliance, with laws and regulations.
- significant deficiencies in the design or implementation of internal control to prevent and detect fraud or error.
- related party transactions identified by us that are significant and outside the normal course of operations.

However, audits do not usually identify all matters that may be of interest to management in carrying out its responsibilities. The type and significance of the matter to be communicated will determine the level of management to whom the communication is directed.

Confidentiality. All of our employees have a duty of confidentiality within the limits of the law. Accordingly, except for information that is in or enters the public domain, we will not provide any third party with confidential information concerning the affairs of the Brandon University Retirement Plan without your prior consent—unless we are required to do so by the law.

Review of the annual report. Canadian GAAS require us to review the annual report or similar documents of the Brandon University Retirement Plan, before its publication, to ensure that the financial statements and our auditor's report have been reproduced accurately. We are also required to read the other information (financial or non-financial) included in the annual report to identify material inconsistencies, if any, with the audited financial statements. We do not have a specific responsibility for determining whether or not other information is properly stated. However, if we become aware of an apparent material misstatement of fact, we will discuss the matter with management. We will also expand our review to include the Internet version of the annual report, should one exist. We ask that the annual report be available for our review, before its publication.

Offering documents and designated documents. Our audit responsibilities do not extend to offering documents and designated documents. Should you wish to include or incorporate our report by way of reference in a document that offers securities, whether in a primary or secondary offering, in exchange for cash, debt, other securities or other assets (an "offering document"), or a continuous disclosure document filed with securities regulatory authorities (a "designated document"), you must obtain our written consent in advance.

Management responsibilities

Our audit will be conducted on the premise that management and, where appropriate, the Board of Trustees acknowledge and understand that they have the following responsibilities.

Responsibility for financial statements and internal control. Management is responsible for the preparation and fair presentation of the financial statements and information referred to above. You are also responsible for establishing and maintaining an effective system of internal control over financial reporting to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In this regard, you are responsible for establishing policies and procedures that ensure financial information is prepared in accordance with Canadian public sector accounting standards for pension plans.

Correction of errors. We expect management will correct all known non-trial errors. Management is responsible for adjusting the financial statements to correct material misstatements and for confirming to us that the total of all uncorrected misstatements identified by us during our audit are immaterial, both individually and in total, to the financial statements taken as a whole. In addition, we expect management will correct all known non-trivial errors.

Prevention and detection of fraud. Management is also responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us:

(a) of the risk that the financial statements may be materially misstated as a result of fraud.

(b) about all known or suspected fraud involving (i) management, (ii) employees who have significant roles in internal control over financial reporting and (iii) others where the fraud could have a non-trivial effect on the financial statements.

(c) of your knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, regulators, investors or others.

Related parties. Management is responsible for disclosing to us the identity of each related party as defined in:

- *CPA Canada Handbook—Accounting Part II—Section 3840—Related Party Transactions.*

and all the related party relationships and transactions of which you are aware and, for providing to us any updates that occur during this engagement.

Subsequent events. Management is responsible for informing us of subsequent events that may affect the financial statements of which you may become aware up to the date the financial statements are issued.

Laws, regulations, and other authorities. Management is responsible for identifying and ensuring that you comply with the laws, regulations and other authorities applicable to your organization and its activities. You will make available to us information relating to any illegal or possibly illegal acts, and all facts related thereto, and will provide information to us relating to any known or probable instances of non-compliance with legislative or regulatory requirements, including financial reporting requirements.

Providing information on a timely basis. Management is responsible for making available to us, on a timely basis, all of your original accounting records and related information relevant to the preparation of the financial statements, additional information that we may request from you for the purposes of our audit, and unrestricted access to your personnel who we may determine necessary to obtain evidence to support our audit of the financial statements.

Management representation letter. Management will provide us with written representations that encompass representations made to us during the audit covering the financial statements. Management's representations are integral to our audit evidence.

Other engagement matters

We estimate the audit fee at $8,300 before taxes. Last year's audit fee was $8,150, before taxes. If we need significant additional time, we will explain why and agree on a new fee estimate.

All working papers and files, other materials, reports, and work that we create, develop, or perform during the engagement will remain our property.

These terms of engagement will be effective from year to year until amended or terminated in writing.

To indicate that you agree with management's responsibilities and understand our role and responsibilities, please sign both copies of this letter, return one signed copy to us, and keep one copy for your records.

Yours sincerely,

Brendan Thiessen

Brendan Thiessen, CPA, CA
Principal

BT/ja

We agree with management's responsibilities and understand the role and responsibilities of the Office of the Auditor General of Manitoba as described in this letter.

By:

Scott Lamont

Mr. Scott Lamont, FCGA
Vice-President (Finance and Administration)

Jan 29, 2018
Date

By:

Heather Gillander

Ms. Heather Gillander
Chair, Board of Trustees

Jan 30, 2018
Date

Pension Plan Board of Trustees
February 12, 2018

	Name	Employee Group	Term	Start Date	End Date	Address	Phone	Email	Comments
1	CHAMBERS, Shawn	BOG	*3	Sep-15	Aug-18	Off-campus	204 988-6742	shawn.chambers@rbc.com	
2	LAMONT, Scott	BOG	*6	Sep-12	Aug-18	Admin & Finance	204 727-9707	lamont@brandonu.ca	Signatory; 6th year ends August 2018
3	FUGLEBERG, Todd	BUFA	1	Jun-15	May-18	Science (Physics & Astronomy)	204 571-8577	fuglebergt@brandonu.ca	Signatory
4	GILLANDER, Heather (Chair)	BUFA	1	May-15	Apr-18	Arts (Business Admin)	204 727-9792	gillanderh@brandonu.ca	Signatory
5	MACDONALD, Karen	EXEMPT	1	Nov-17	Oct-20	Human Resources	204 727-7416	macdonaldk@brandonu.ca	
6	CUVELIER, Brent	IUOE A	1	May-17	Apr-20	Physical Plant	204 727-9620	cuvelierb@brandonu.ca	
7	NGUYEN, Kim	IUOE D	1	May-17	Apr-20	Physical Plant	204 727-9620	nguyenk@brandonu.ca	Maternity leave Sept 2017-Sept 2018.
	MANBY, George	IUOE D	1	Nov-17	Sep-18	Physical Plant	204 727-9620	manby@brandonu.ca	Covering maternity leave until Sept 2018
8	RAINE, Eric	MGEU	2	Feb-18	Jan-21	Information Technology Services	204-727-7357	raine@brandonu.ca	
9	LANE, Becky	MGEU	1	Feb-16	Jan-19	Library/ITS	204 727-9767	laneb@brandonu.ca	
10	KOSCHINSKY, Maurice	Retiree	1	Nov-17	Oct-20	18 Mulberry Crescent Brandon, MB R7A 0Y9	204 727-0910 h 204 761-7394 c	koschinskym@wcgwave.ca	

Signatories: Heather Gillander (Chair), Scott Lamont, Todd Fugleberg
Quorum: 50 percent of membership

The term of a Pension Trustee appointed pursuant to Paragrah 3.01 of Trust Agreement to succeed each appointed Trustee named in Paragraph 3.02 or to replace a Pension Trustee by virtue of Paragraph 3.08 shall be three (3) years.

A Pension Trustee may be appointed for a second three year term, however, no Pension Trustee shall serve longer than six (6) consecutive years and shall retire for at least one (1) full year after such consecutive service before being eligible to once more assume the position of Pension Trustee.