Financial Statements of

HEALTHCARE EMPLOYEES PENSION PLAN - MANITOBA

Year ended December 31, 2009

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AUDITORS' REPORT

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

We have audited the statement of net assets of the Healthcare Employees Pension Plan - Manitoba as at December 31, 2009 and the statement of changes in net assets for the year then ended. These financial statements are the responsibility of the Plan's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the net assets of the Plan as at December 31, 2009 and the changes in its net assets for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Winnipeg, Canada

May 31, 2010

HEALTHCARE EMPLOYEES PENSION PLAN - MANITOBA

Statement of Net Assets

December 31, 2009, with comparative figures for 2008

	2009	2008
Assets		
Cash	$ 45,565,129	$ 34,334,633
Contributions and other receivables (note 5)	16,186,228	13,993,228
Due from brokers	–	2,787,345
Investment income receivable	5,209,732	3,552,387
Investments (note 6)	3,522,636,188	3,020,393,556
Capital assets (note 7)	876,630	904,843
	$ 3,590,473,907	$ 3,075,965,992
Liabilities and Net Assets		
Accrued benefit payments	$ 12,367,000	$ 11,225,000
Accrued liabilities	3,217,256	2,888,483
Due to brokers	1,871,107	–
	17,455,363	14,113,483
Net assets represented by:		
Pension Fund	3,572,141,914	3,060,947,666
Capital Fund	876,630	904,843
	3,573,018,544	3,061,852,509
Commitment (note 14)		
	$ 3,590,473,907	$ 3,075,965,992

See accompanying notes to financial statements.

Approved by the Trustees:

Chair

Vice-Chair

HEALTHCARE EMPLOYEES PENSION PLAN - MANITOBA

Statement of Changes in Net Assets

Year ended December 31, 2009, with comparative figures for 2008

	Pension Fund	Capital Fund	2009 Total	2008 Total
Increase in net assets:				
Pension fund contributions:				
Employer	$ 112,278,567	$ –	$ 112,278,567	$ 102,184,338
Employee	112,278,567	–	112,278,567	102,184,338
Reciprocal transfers and buybacks:				
Employer	2,499,356	–	2,499,356	1,139,410
Employee	2,521,262	–	2,521,262	1,143,119
Investment income (note 8)	116,054,995	–	116,054,995	126,163,513
Current period change in market value of investments	332,303,247	–	332,303,247	–
Total increase in net assets	677,935,994	–	677,935,994	332,814,718
Decrease in net assets:				
Current period change in market value of investments	–	–	–	700,111,774
Pension payments	123,654,940	–	123,654,940	113,565,796
Termination refunds	27,405,255	–	27,405,255	23,176,464
Investment management fees	8,903,614	–	8,903,614	9,510,486
Administrative expenses	4,878,794	–	4,878,794	4,460,976
Amortization of capital assets	–	523,097	523,097	1,719,780
Professional fees	112,513	–	112,513	93,547
Special project expenses	98,190	–	98,190	146,300
Custodial fees	716,840	–	716,840	645,200
Actuarial fees	476,716	–	476,716	343,027
Total decrease in net assets	166,246,862	523,097	166,769,959	853,773,350
Increase (decrease) in net assets prior to inter-fund transfers	511,689,132	(523,097)	511,166,035	(520,958,632)
Inter-fund transfers (note 7)	(494,884)	494,884	–	–
Increase (decrease) in net assets	511,194,248	(28,213)	511,166,035	(520,958,632)
Net assets, beginning of year	3,060,947,666	904,843	3,061,852,509	3,582,811,141
Net assets, end of year	$ 3,572,141,914	$ 876,630	$ 3,573,018,544	$ 3,061,852,509

See accompanying notes to financial statements.

1. General:

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

2. Description of the Plan:

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

(a) General:

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

(b) Funding policy:

Employers and employees contribute equally to fund the benefits under the Plan.

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

The settlors of the Plan approved the following contribution rate percentages for 2009 and 2008:

2009	Below YMPE	6.8%
	Above YMPE	8.4%
2008	Below YMPE	6.8%
	Above YMPE	8.4%

2. Description of the plan (continued):

(c) Normal retirement pension benefits:

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

(d) Early retirement pension benefits:

A member may elect to retire early provided that:

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

If at the member's early retirement date:

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

then the member shall receive normal pension benefits.

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

(e) Postponed retirement benefits:

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

(f) Death benefits:

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

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

2. Description of the plan (continued):

(g) Benefits on termination:

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

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

(h) Income taxes:

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

3. Significant accounting policies:

(a) Basis of presentation:

These financial statements are prepared on a going concern basis and present the aggregate financial position of the Plan as a separate financial reporting entity, independent of the participating employers and members. Only the net assets and obligations to members eligible to participate in the Plan have been included in these financial statements. These financial statements do not portray the funding requirements of the Plan or the benefit security of the individual plan members.

(b) Fund accounting:

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

(c) Investments:

Investments are stated at market value as follows:

(i) Short-term investments:

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

3. Significant accounting policies (continued):

(ii) Bonds:

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

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

(iii) Mortgages:

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

(iv) Equities:

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

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

(v) Real estate:

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

3. Significant accounting policies (continued):

(d) Capital assets:

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

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

(e) Foreign currency transactions and balances:

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

(f) Income recognition:

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

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

(g) Benefits:

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

3. Significant accounting policies (continued):

(h) Transaction costs:

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

(i) Unrealized gains (losses):

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

(j) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of net assets, changes in net assets and related disclosures. Actual results could differ from those estimates. The most significant use of estimates is the assumptions used in the actuarial valuation for the obligations for pension benefits (note 13).

4. Change in accounting policies:

Financial Instruments - Disclosures

Effective January 1, 2009, the Plan adopted the amendments to Canadian Institute of Chartered Accountants (CICA) Section 3862, *Financial Instruments – Disclosures* which provides for the comprehensive disclosure of financial instruments. Amendments to this standard require all financial instruments measured at fair value to be classified into one of three levels, depending on the inputs used for valuation. The hierarchy of inputs is summarized below:

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

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

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

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

4. Change in accounting policies (continued):

The enhanced disclosures with respect to these amendments are included in note 10 to the financial statements.

Credit risk and the fair value of financial assets and liabilities

In January 2009, the Emerging Issue Committee (EIC) of the CICA issued EIC-173, *Credit Risk and the Fair Value of Financial Assets and Liabilities*, which clarifies that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and liabilities, including derivative instruments. EIC-173 is applied retrospectively without adjustment of prior periods in annual financial statements for periods ending on or after January 20, 2009. The Plan adopted this recommendation in its fair value determination effective January 1, 2009. The adoption of this guideline did not impact the Plan's changes in net assets or net assets.

5. Contributions and other receivables:

	2009	2008
Contributions receivable - employer	$ 7,634,503	$ 6,477,048
Contributions receivable - employee	7,634,503	6,477,048
Due from Healthcare Employees Benefits Plan - Manitoba	196,351	201,414
Other receivables	720,871	837,718
	$ 16,186,228	$ 13,993,228

6. Investments:

	2009	2008
Canadian equities	$ 1,161,848,477	$ 794,231,889
Bonds	962,331,293	849,795,620
Global equities	458,902,378	295,947,491
U.S. equities	392,359,514	320,568,317
Real estate	317,300,598	323,132,838
Mortgages	207,721,681	375,259,428
Short-term investments	22,172,247	61,457,973
	$ 3,522,636,188	$ 3,020,393,556

7. Capital assets:

	Cost	Accumulated amortization	2009 Net book value	2008 Net book value
Computer software	$ 2,119,188	$ 1,928,937	$ 190,251	$ 223,411
Computer hardware and office equipment	3,739,046	3,342,875	396,171	596,714
Computer projects	3,494,308	3,204,100	290,208	84,718
	$ 9,352,542	$ 8,475,912	$ 876,630	$ 904,843

In fiscal 2009, $494,884 (2008 - $726,071) was transferred from the Pension Fund to the Capital Fund for the acquisition of capital assets.

8. Investment income:

	2009	2008
Bonds	$ 39,501,145	$ 40,393,622
Canadian equities	27,203,142	27,960,637
Real estate	16,048,677	14,011,544
Mortgages	14,003,320	20,500,673
Global equities	11,568,252	14,342,602
U.S. equities	7,340,615	6,983,852
Short-term investments	389,844	1,581,922
Security lending income	–	388,661
	$ 116,054,995	$ 126,163,513

9. Risk management:

(a) Market risk:

(i) Interest rate risk:

Interest rate risk refers to the adverse consequences of interest rate changes on the Plan’s cash flows, financial position and income. The Plan’s fixed income investments are exposed to the risk that the value of interest-bearing investments will fluctuate due to changes in the level of market interest rates. The Plan has invested approximately 34 percent (2008 - 43 percent) of its investments in fixed income securities as at December 31, 2009. To properly manage the Plan’s interest rate risk, appropriate guidelines on the weighting and duration for bonds and other fixed income investments are set and monitored.

9. Risk management (continued):

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

	2009	2008
Less than one year	$ 693,023	$ 1,289,140
One to five years	458,694,190	391,036,004
After five years	502,944,080	457,470,476
Total carrying value	$ 962,331,293	$ 849,795,620

The Plan holds the above fixed income securities directly and in-directly through pooled funds. An increase of 100 basis points in interest rates, with all other variables held constant, will impact fixed income investments by an estimated loss of $58.5 million. The Plan's interest rate sensitivity was determined based on portfolio weighted duration.

(ii) Foreign currency risk:

Foreign currency exposure arises from the Plan holding investments denominated in currencies other than the Canadian dollar. Fluctuations in the relative value of the Canadian dollar against these foreign currencies can result in a positive or a negative effect on the fair value of investments. The Plan and its investment managers have the ability to utilize derivative instruments to mitigate foreign currency risk, subject to the approval of the Plan's Investment Committee. The Plan is exposed to fluctuations in the U.S. dollar, Japanese yen and European currencies, notably the Euro, British pound sterling and Swiss franc.

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

As at December 31, 2009	Actual currency exposure	%
Canadian	$ 2,692,193,310	75.5
US dollar	460,198,476	12.9
Euro	181,084,323	5.1
Japanese yen	72,383,359	2.0
British pound sterling	61,301,670	1.7
Swiss franc	43,276,502	1.2
Other currencies	57,763,677	1.6
	$ 3,568,201,317	100.0

9. Risk management (continued):

(ii) Foreign currency risk (continued):

A 10 percent increase or decrease in exchange rates, with all other variables held constant, would result in a change in unrealized gains (losses) of $87.6 million.

(iii) Other price risk:

The Plan's investments in equities are sensitive to market fluctuations. To properly manage the Plan's other price risk, appropriate guidelines on asset diversification to address specific security, geographic, sector and investment manager risks are set and monitored. A decline of 10 percent in equity values, with all other variables held constant, will impact the Plan's equity investments by an approximate loss of $201.3 million.

(b) Credit risk:

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

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

Credit rating	2009 Market value		2008 Market value	
AAA	$ 547,210,885	56.9%	$ 445,377,885	52.4%
AA	217,782,284	22.6%	221,966,616	26.1%
A	195,865,451	20.4%	173,953,163	20.5%
BBB	1,472,673	0.1%	8,497,956	1.0%
	$ 962,331,293	100.0%	$ 849,795,620	100.0%

Credit risk associated with contributions and other receivables is minimized due to their nature. The majority of the receivable balances are due from member facilities and are collected from participating members through the payroll process. No provision for doubtful contributions and other receivables has been recorded in either 2009 or 2008. The carrying amounts of fixed income investments and contributions and other receivables represent the maximum credit exposure to the Plan.

9. Risk management (continued):

(c) Liquidity risk:

Over 85 percent (2008 - 76 percent) of the Plan's investments are in liquid securities traded in public markets. These include all U.S. and global equities and the majority of Canadian equities, which is over 57 percent (2008 - 47 percent) of the Plan assets and is all exchange traded, and bonds. Although market events could lead to some investments becoming illiquid, management believes the diversity of the Plan's portfolio and current contribution levels will ensure that liquidity is available for benefit payments. The Plan's financial statement liabilities have contracted maturities of less than one year.

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

	2009		2008	
	Market value	Average coupon rate	Market value	Average coupon rate
Federal	$ 502,857,452	3.95%	$ 379,178,805	5.41%
Provincial/ municipal	223,499,719	5.74%	224,770,942	6.34%
Corporate	235,974,122	5.69%	245,845,873	5.83%
Mortgages	207,721,681		375,259,428	
	$ 1,170,052,974		$ 1,225,055,048	

10. Fair value disclosure

The Plan's assets which are recorded at fair value have been categorized into three levels in accordance with the amendments to CICA Section 3862 (note 4). The following is a summary of the inputs used as of December 31, 2009 in valuing the Plan's investments:

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

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

During the year ended December 31, 2009, the reconciliation of investments measured at fair value using unobservable inputs (Level 3) is presented as follows:

	Canadian equities	Real estate	Total
Balance, beginning of year	$ 7,800,547	$323,132,838	$330,933,385
Purchases	473,263	28,792,225	29,265,488
Sales	–	(15,724,800)	(15,724,800)
Net transfers into and/or out of Level 3	–	–	–
Realized gains (losses)	–	–	–
Current period change in market value of investments	(2,919)	(18,899,665)	(18,902,584)
Balance, end of year	$ 8,270,891	$317,300,598	$325,571,489

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

11. Role of the actuary and auditor:

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

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

12. Related party:

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

13. Obligations for pension benefits:

As at December 31, 2009, the date of the most recent actuarial Accounting Valuation, the actuarial present value of the accrued pension benefits was $4,087,645,000 (2008 - $3,755,410,000) and the actuarial value of the Plan assets was $3,866,677,000 (2008 - $3,367,043,000). Since there is no intention of extinguishing the pension obligations in the near term, the obligations are calculated by using the going concern actuarial basis. The projected unit credit actuarial cost method was used by Towers Watson, the actuary, to determine the actuarial liability and the required current service contributions.

13. Obligations for pension benefits (continued):

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

(a) the liability discount rate was assumed to be 6.5 percent (2008 - 6.5 percent);

(b) the asset rate of return was assumed to be 6.5 percent (2008 - 6.5 percent);

(c) inflation rate was assumed to be 3.0 percent (2008 - 3.0 percent); and

(d) the salary escalation rate was assumed to be 4.0 percent (2008 - 4.5 percent for 2009 and 4.0 percent thereafter) plus merit and promotion.

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

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

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

13. Obligations for pension benefits (continued):

The actuarial present value of benefits as at December 31, 2009 and December 31, 2008 and the principal components of changes in actuarial present values during the year on an accounting basis were as follows:

	December 31, 2009	December 31, 2008
Market value of net assets	$ 3,572,142,000	$ 3,060,948,000
Deferred investment losses	294,535,000	306,095,000
Actuarial value of net assets	3,866,677,000	3,367,043,000
Actuarial present value of accrued pension benefits - beginning of period	3,755,410,000	3,361,456,000
Benefits accrued	202,953,000	191,338,000
Benefits paid	(151,060,000)	(136,742,000)
Interest accrued on benefits	245,762,000	220,241,000
Increase in benefits accrued due to data corrections	8,819,000	11,466,000
Effect of actual experience, change in administrative expenses and change in actuarial basis	25,761,000	107,651,000
Actuarial present value of accrued pension benefits, end of period	4,087,645,000	3,755,410,000
Deficiency of actuarial value of net assets over actuarial present value of accrued pension benefits	$ (220,968,000)	$ (388,367,000)

The Accounting Valuation as at December 31, 2009 indicates a deficiency of actuarial value of net assets over actuarial present value of accrued pension benefits of $220,968,000 as well as a solvency deficiency of $867,619,000.

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

The most recent Statutory Valuation for funding purposes was prepared by Towers Watson (formerly Towers Perrin) as at December 31, 2007. This valuation disclosed a solvency deficiency of $61,050,000. As is required by legislation, this solvency deficiency will be funded by special payments out of current contributions from participating members, aggregating $13,647,000 annually, over five years commencing in fiscal 2008. In 2009, the Plan obtained the ability to elect, by providing written notice of the election to each participating employer, to have the Plan exempted from the solvency provision. The Plan has, to date, not elected this exemption.

13. Obligations for pension benefits (continued):

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

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

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

The Plan's liabilities are affected by non-economic factors like changes in member demographics. The Plan's assets are subject to financial instrument risks which are explained in more detail in note 9 to these financial statements.

14. Commitment:

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

2010	$ 148,000
2011	170,000
2012	170,000
2013	168,000
2014	163,000
2015	165,000
	$ 984,000