BRANDON UNIVERSITY
RETIREMENT PLAN

ANNUAL REPORT - 2010

Incorporating the Annual Financial Statements

BRANDON
UNIVERSITY
Founded 1899

June 2010

Dear Member:

Enclosed is a detailed report on the operation of the Brandon University Retirement Plan this past year. Its purpose is to provide general information to the membership, particularly with regard to the financial operation and performance of the Plan. Full audited financial statements for the year ended December 31, 2010 are included in this report.

The Plan, under the guidance of Connor, Clark & Lunn Investment Management Ltd., had a rate of return of 11.2% in 2010 (16.8% in 2009). The December 31, 2010 Brandon University Retirement Plan valuation completed by the Plan actuary, Eckler Ltd. determined that the Plan had a solvency deficiency of Plan assets over calculated Plan obligations (liabilities) of $14,449,000. The solvency ratio is 0.789. In January 2009, Brandon University filed an election to be exempt from making solvency deficiency special payments in accordance with the University Pension Plans Exemption Regulation. As a result of the election, the University is not required to make special payments into the Plan related to the solvency deficiency.

The Going-Concern funding method for December 31, 2010 shows an unfunded liability of $32,565,000. The University is required to make special payments to fund this unfunded liability over a 15 year amortization period. The annual cost of this special payment for 2011 is $3,126,000. A "Going-Concern Valuation" assumes Brandon University will continue to operate and the Retirement Plan will continue to operate and pension benefit obligations will come due through member retirement, termination of employment or death.

The deterioration of the financial position from a surplus of $816,000 at December 31, 2007 to an unfunded liability of $32,565,000 at December 31, 2010 is mainly due to investment returns less than expected based on a smoothed asset valuation method, and changes to actuarial assumptions such as longer life expectancies of plan members, and lower interest rates.

Since the solvency ratio of the plan is less than 0.90, the Pension Benefits Act of Manitoba requires that the next valuation be performed no later than December 31, 2011.

The Board of Trustees of the Retirement Plan welcomes any comments or questions from all members.

Sincerely,

Dr. Todd Fugleberg, B.Sc., M.Sc., Ph.D
Chair, Board of Trustees
Brandon University Retirement Plan

Mr. Scott J. B. Lamont, FCGA, MBA
Vice-President (Administration & Finance)
Brandon University

BRANDON UNIVERSITY RETIREMENT PLAN

**Annual Report for the year ended
December 31, 2010**

Members of the Board of Trustees (as of December 31, 2010):

Consultant/Actuary	Eckler Ltd.
Investment Manager	Connor, Clark & Lunn Investment Management Ltd.
Investment Sector Managers	CC&L Canadian Q 120/20 Fund (Canadian Equities) SRA Canadian Equity Fund PCJ Canadian Equity Fund New Star EAFE Fund CC&L USA Equities Fund CC&L Bond Fund
Custodian	CIBC Mellon Global Securities Services Company
Plan Administrator	Board of Trustees of the Brandon University Retirement Plan

General Information

a) The Brandon University Retirement Plan is a final average, defined benefit plan, which provides a benefit to all eligible employees of Brandon University upon retirement, termination or death. The Plan is administered by the Board of Trustees of the Brandon University Retirement Plan. A full description of the Plan is contained in the official Plan document and is available on the Brandon University website or from the Human Resources Office.

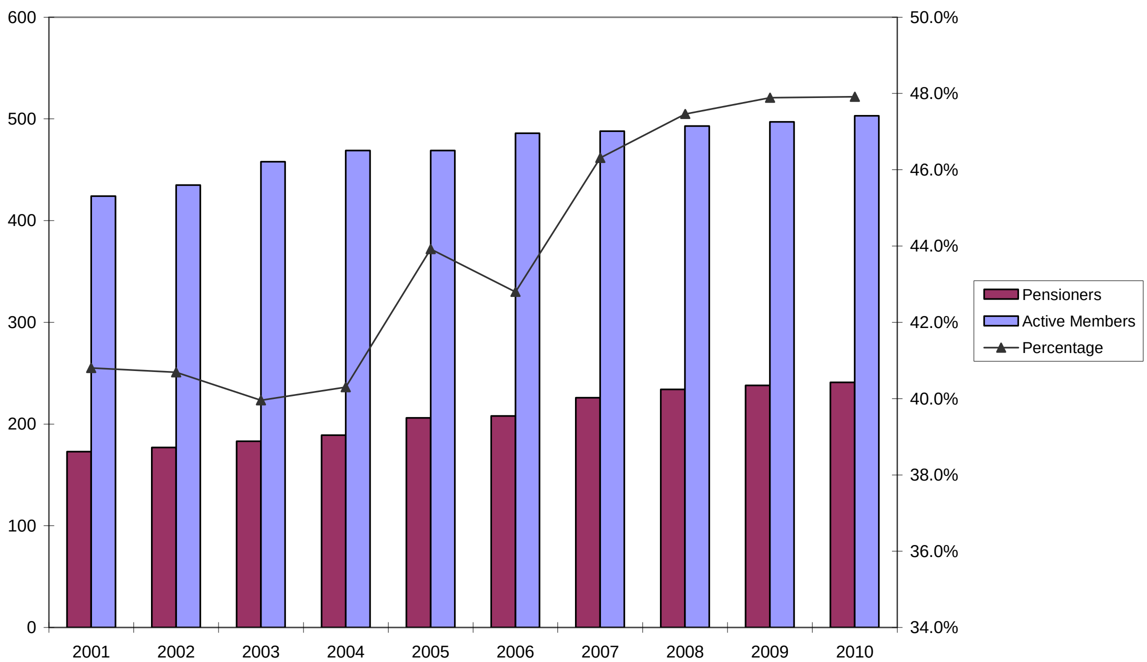
b) The Plan is fully funded by contributions from Plan members and the University, as well as the income from investments. Net assets in the plan, at market value, at December 31 were:

2010	$108.8 million
2009	$98.7 million
2008	85.8 million
2007	103.9 million
2006	103.3 million

c) Similar to many other maturing pension plans in Canada, the number of pensioners is increasing relative to the number of active contributing members of the Plan. Over the past ten years, the number of pensioners has increased from 41% of the active members to 48% in 2010. Brandon University Retirement Plan membership at December 31:

	2010	**2009**
Active members	503	497
Pensioners	241	238
Deferred, inactive and Pending Election	60	64

Pensioners as a Percentage of Active Members



An impact of increasing numbers of pensioners relative to active contributing members is the decreasing ability of the annual contributions from Plan members and the University to cover the annual cost of pensions, and the increasing need for investment income of the Plan to fund future requirements. In 2001, the cost of pensions paid out totaled 106% of what was being contributed annually by the Plan Members and the University. Significant increases in contributions by both the Plan members and the University in recent years have reduced the ratio of pensions paid to contributions collected to 92%. In 2010, the investment returns were reasonable and previous highs were achieved again. However, the investment returns anticipated for the period 2007 to 2010 were higher than the investment returns achieved for that period and this has negatively affected the valuation of the Plan.

Plan member transactions:

	2010	**2009**
Member and University contributions to the Plan	$4,864,598	$4,505,018
Transfers from other plans	127,332	220,747
Pensions paid to retired members	4,494,014	4,428,912
Death benefits and refund settlements due to terminations	885,143	1,178,824

d) The Brandon University Retirement Plan is subject to a periodic valuation by an independent actuary to determine whether the Plan assets and contribution level are adequate to provide future benefits. The Pension Benefits Act of Manitoba requires that such a study be done at least every three years. The most recent valuation was performed by Eckler Ltd. as at December 31, 2010. Using the solvency valuation method, the Plan had a deficiency of assets over actuarial (calculated) liabilities of $14,449,000. Using the going-concern or aggregate method, the Plan had an unfunded liability of $32,565,000.

The University is required to make special payments to fund this unfunded liability over a 15 year amortization period. The annual cost of this special payment for 2011 is $3,126,000.

Since the solvency ratio of the plan is less than 0.90, the Pension Benefits Act of Manitoba requires that the next valuation be performed no later than December 31, 2011.

e) If the net investment return on the Fund, as determined by the Actuary using smoothed asset values, exceeds 6.0% per annum, each pensioner who was receiving a pension at the end of that year, is entitled to receive an increase in that pension effective from July 1 in the following calendar year. The details of this entitlement are recorded in article 7.3 of the Brandon University Retirement Plan document. The result of this calculation over the past 10 years is as follows.

Brandon University
Historical Increases (Article 7.3 - Supplementary Pension)

	(1)	(2)	(3)	(4)	(5)	
Year	**Gross Actuarial Return**	**Net Actuarial Return**	**Excess of Net over 6%**	**CPI**	**Actual COLA given**	**Effective Date of COLA Increase**
2001	4.81%	4.30%	Nil	0.70%	Nil	1 July 2002
2002	-3.75%	-4.19%	Nil	3.90%	Nil	1 July 2003
2003	7.73%	7.25%	1.25%	2.00%	1.30%	1 July 2004
2004	2.42%	1.87%	Nil	2.10%	Nil	1 July 2005
2005	6.70%	6.20%	0.20%	2.20%	0.20%	1 July 2006
2006	16.80%	16.30%	10.30%	1.60%	1.60%	1 July 2007
2007	9.20%	8.68%	2.68%	2.40%	2.40%	1 July 2008
2008	-11.42%	-11.85%	Nil	1.20%	Nil	1 July 2009
2009	16.71%	16.15%	10.15%	1.30%	1.30%	1 July 2010
2010	3.73%	3.23%	Nil	2.40%	Nil	1 July 2011

COLA = lower of columns (3) or (4)

Investment Management Objectives

On December 30, 1994, the current Investment Manager (Connor, Clark & Lunn, Investment Management Ltd.) was appointed. Since that time the plan investment management has been diversified by making use of several investment sector specialists within the family of companies working with CC&L, under the general management of CC&L.

The Investment Manager operates with the general objective to maximize long-term total returns while protecting the capital value of the fund. The Manager is to attain an average rate of return of 3% over the CPI increase for the same period. Secondary objectives are to generate returns in excess of the return of the Benchmark Fund over rolling four-year periods and to perform in the top third of investment managers as measured by a nationally recognized service. RBC Dexia Benchmark Investment Analytics (BIA) was used as the measurement service for this report.

The Brandon University Retirement Plan investment performance met the objective of CPI plus 3% for 2010 (BU Plan was 11.2% vs. 5.4%). It did not meet the objective for the four year rolling average ending in 2010 (BU Plan was 3.4% vs. 4.8%). The Plan met the rolling four year average benchmark return (BU Plan 3.4% vs. Benchmark 3.4%). Although the top third of managers is not reported by BIA, the BU Plan annual return (11.2%) was higher than the median (9.9%) and lower than the top 25% (11.3%) of balanced fund investment managers in 2010. The BU Plan four year rolling average return (3.4%) was higher than the median (2.8%) and equal to the top 25% (3.4%) of balanced fund investment managers. Lastly, with the reasonable returns in 2010, the portfolio, at $108.8 million, is higher than the December 31, 2007 previous high of $103.9 million.

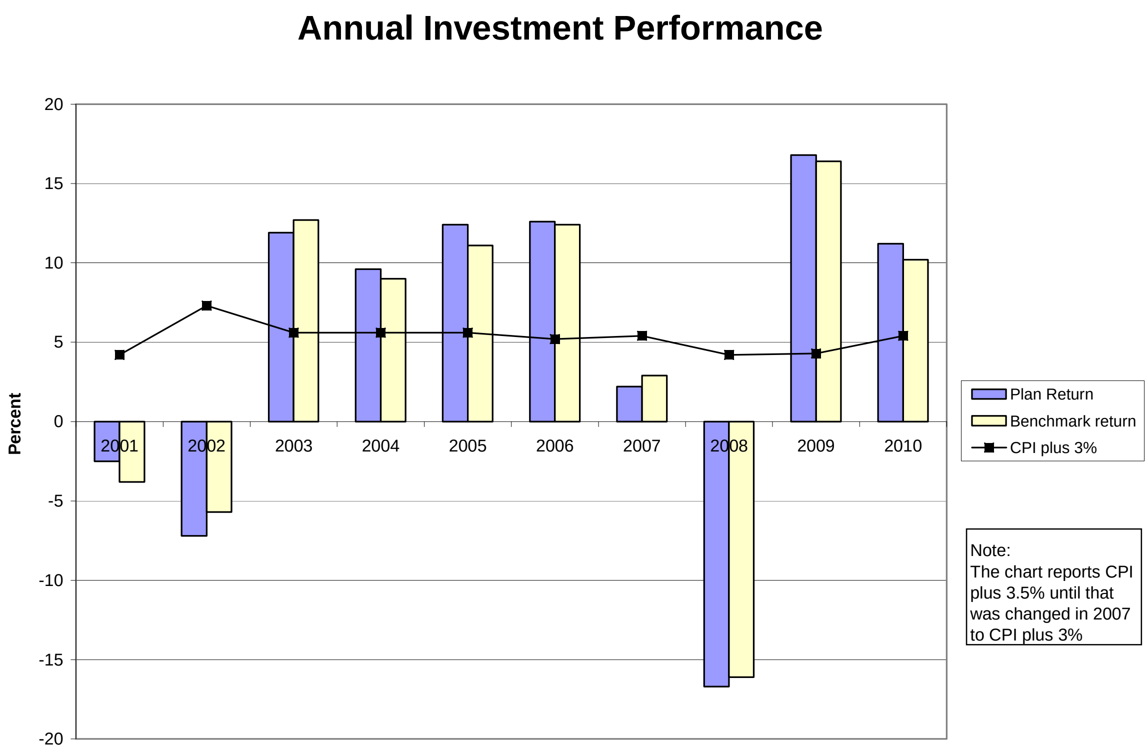
Investment Performance

Period Ending December 31	Total Return	Annual Rate of Increase in CPI
2010	11.2%	2.4%
2009	16.8%	1.3%
2008	-16.7%	1.2%
2007	2.2%	2.4%
2006	12.6%	1.7%

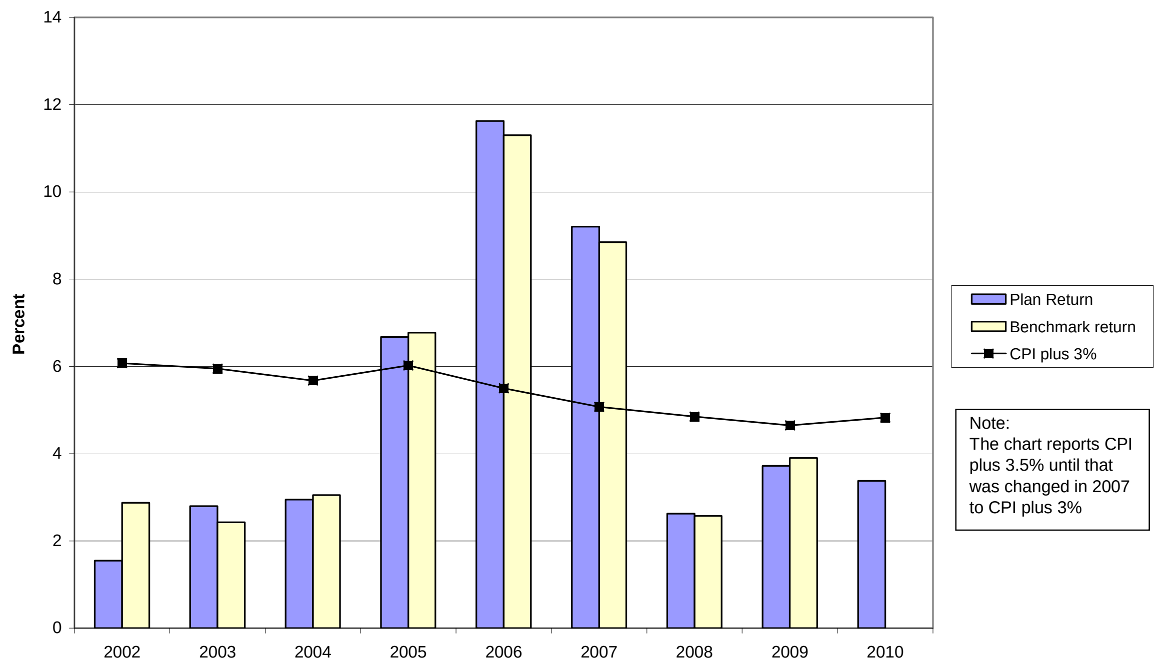
Benchmark return for 2010	10.2%
Four year rolling average ending 2010	
Retirement plan performance	3.38%
Benchmark performance	3.35%

BIA Balanced Fund Performance Summary
For the Period Ending December 31, 2010

Top quartile (12 months)	11.3%
Median (12 months)	9.9%
BU Retirement Plan (12 months)	11.2%
Top quartile (4 year rolling)	3.4%
Median (4 year rolling)	2.8%
BU (4 year rolling)	3.4%



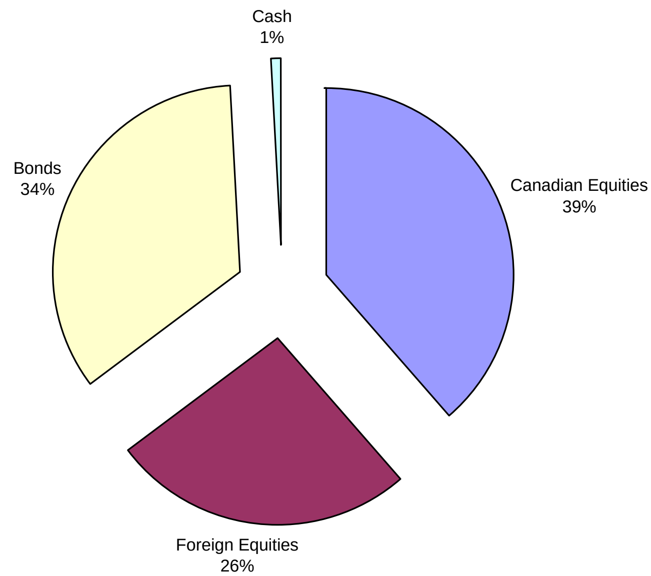
Rolling Four Year Average Investment Returns



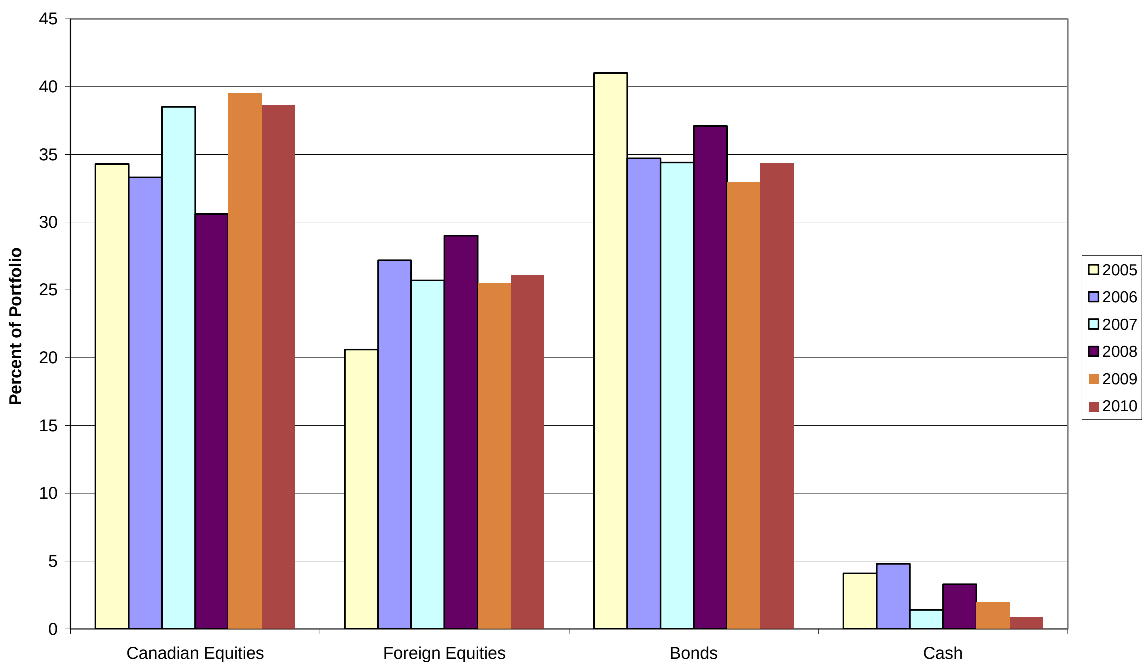
The investment mix of the Brandon University Retirement Plan is established by the investment manager based on market expectations within guidelines authorized by the Trustees of the Plan. On December 31, 2010 the asset mix and the annual performance in each sector follows:

	% of Portfolio	**12 month return**	**Benchmark return**
Canadian Equities	38.6%	18.2%	17.6%
Foreign Equities	26.1%	6.8%	9.1%
Bonds	34.4%	7.8%	6.7%
Cash	0.9%	0.7%	0.5%
TOTAL FUND	100.0%	11.2%	10.2%

Fund Asset Mix - December 31, 2010



Asset Mix Trend



Responsibility for Financial Reporting

The Board of Trustees of the Brandon University Retirement Plan is responsible for the preparation and presentation of the financial statements and the accompanying notes. The Board of Trustees relies upon the accounting and financial systems established by Brandon University. The financial statements are prepared in conformity with the accounting policies noted in the financial statements, and are reviewed and approved by the Board of Trustees of the Brandon University Retirement Plan. An independent financial auditor whose opinion is included herein examines the statements.

To fulfil its responsibility, Brandon University maintains internal control systems to provide reasonable assurance that relevant and reliable financial information is produced.

Dr. Todd Fugleberg, B.Sc., M.Sc., Ph.D.
Chair, Board of Trustees
Brandon University Retirement Plan

Scott J. B. Lamont, FCGA, MBA
Vice-President (Administration & Finance)
Brandon University

June 2, 2011

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

INDEPENDENT AUDITORS' 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, 2010, the statements of changes in net assets available for pension benefits and 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on 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, 2010 and the changes in net assets available for pension benefits and pension obligations for the Plan for the year then ended in accordance with Canadian accounting standards for pension plans.

Office of the Auditor General

Office of the Auditor General
June 2, 2011
Winnipeg, Manitoba

BRANDON UNIVERSITY RETIREMENT PLAN

Statement of Financial Position
as at December 31, 2010

	2010	2009
ASSETS		
Accounts receivable	$ 4,142	$ 380,505
Investments (note 2 b)		
Cash and short-term investments	1,029,540	2,169,902
Bonds and debentures	37,489,664	32,386,196
Canadian equities	41,996,723	38,841,476
Foreign equities	28,344,451	25,006,792
	108,860,378	98,404,366
Total Assets	108,864,520	98,784,871
LIABILITIES		
Accounts payable	64,519	44,749
Prepaid pension contributions		18,460
Total Liabilities	64,519	63,209
Net asssets available for pension benefits	**108,800,001**	**98,721,662**
Pension obligations	**139,177,000**	**112,797,000**
Deficit (going concern basis)	**$ (30,376,999)**	**$ (14,075,338)**

The accompanying notes are an integral part of the financial statements.

BRANDON UNIVERSITY RETIREMENT PLAN

Statement of Changes in Net Assets Available for Pension Benefits
for the year ended December 31, 2010

	2010	2009
CONTRIBUTIONS		
Members	$ 1,921,060	$ 1,792,267
University	2,943,538	2,712,751
Transfers from other plans	127,332	220,747
	4,991,930	4,725,765
OTHER INCOME		
Investment income		
Interest	1,314,806	1,628,331
Dividends	1,410,449	1,569,034
	2,725,255	3,197,365
Change in fair value		
Realized	1,982,272	(6,683,185)
Unrealized	6,263,953	17,777,546
	8,246,225	11,094,361
Total Increase in Net Assets	15,963,410	19,017,491
PAYMENTS		
Benefit payments		
Retirements	4,494,014	4,428,912
Refunds	799,669	1,178,824
Deaths	85,474	
	5,379,157	5,607,736
Administrative expenses		
Actuarial and consulting fees	62,537	65,996
Custodian and plan administration fees	106,021	97,011
Legal and audit fees	6,440	5,573
Investment management fees	330,069	294,168
Trustee expenses	847	879
	505,914	463,627
Total Decrease in Net Assets	5,885,071	6,071,363
Net Increase in Assets Available for Pension Benefits	**10,078,339**	**12,946,128**
Net Assets Available For Pension Benefits, beginning of year	**98,721,662**	**85,775,534**
Net Assets Available For Pension Benefits, end of year	**$ 108,800,001**	**$ 98,721,662**

The accompanying notes are an integral part of the financial statements.

BRANDON UNIVERSITY RETIREMENT PLAN

Statement of Changes in Pension Obligations
for the year ended December 31, 2010

	2010	2009
Interest accrued on benefits	$ 6,470,000	$ 6,160,000
Benefits accrued	4,825,000	4,604,000
Benefits paid	(5,379,000)	(5,608,000)
Actuarial gain	(166,000)	
Changes in actuarial assumptions	20,630,000	
Net Change in Pension Obligations	**26,380,000**	**5,156,000**
Pension Obligations, beginning of the year	**112,797,000**	**107,641,000**
Pension Obligations, end of year	**$ 139,177,000**	**$ 112,797,000**

The accompanying notes are an integral part of the financial statements.

1. Description of the Plan

The following description of the Brandon University Retirement Plan is only a summary. More complete information is contained in the official Plan document.

a) General

The Brandon University Retirement Plan is a final average contributory defined benefit pension plan established April 1, 1974 for the benefit of the employees of Brandon University. The assets of the Plan are held in trust in the name of ten Trustees - eight elected by and from the Plan membership and two appointed by the Board of Governors. The Trustees oversee the administration of the Plan and set forth the investment guidelines. Their obligations and responsibilities are defined in a trust agreement with Brandon University. An asset manager invests the Plan assets based on the approved investment guidelines and according to the terms of the Managed Account Agreement. The Plan is registered with the Pension Commission of Manitoba and meets the requirements of the Pension Benefits Act of Manitoba and the Income Tax Act (Canada).

b) Membership

Unless otherwise stated, all Brandon University employees are eligible to become members of the Plan on their date of employment. Full-time and certain part-time employees are required to join the Plan. Membership is optional for other part-time and certain specified employees.

c) Funding

The Plan receives its funds from:

i) the contributions of members
ii) the required and special contributions of Brandon University
iii) the income from investments

An actuarial valuation is performed at least once every three years to determine the adequacy of the funding for pension benefits (see note 2g).

d) Plan Benefits

The Plan provides for the payment of benefits to a member upon retirement, death, or termination of employment with Brandon University.

Retirement benefits are determined by a formula which takes into consideration the member's pensionable earnings, term of employment with Brandon University and a percentage of the Canada Pension Plan earnings. Benefits are payable for the lifetime of the member. Full benefits are payable (a) upon normal retirement; (b) upon early retirement for members who qualify. Reduced benefits are provided to members who retire early and do not qualify for full benefits.

Death and termination benefits are based on the value of the member's pension as determined by the Plan Administrator at the time of death or termination of employment. The options available to beneficiaries and terminating members are outlined in the official Plan document.

2. Significant Accounting Policies

a) General

The Brandon University Retirement Plan prepares its financial statements in accordance with Canadian accounting standards for pension plans.

b) Investments

Investments are recorded at market value on a trade date basis.
Fair values of investments are determined as follows:

Fixed Income
Short term investments are recorded at cost which approximates market value.
Bonds and debentures are valued at market by an independent securities valuation company.

Equity
Publicly traded securities are recorded at year end market prices or the average of the latest bid and ask prices quoted by an independent securities valuation company.

c) Investment Income

Dividend income is recognized on the ex-dividend date and interest income is recognized on the accrual basis as earned.

d) Foreign Currency Translation

The fair value of investments denominated in foreign currencies is translated into Canadian dollars at the exchange rate in effect at year end and the resulting change is included in the change in fair value of investments. Revenue and expense transactions are translated at the exchange rates prevailing on the dates of the transactions and are included in investment income at the translated amounts.

e) Contributions

Contributions from the members and the University are recorded on an accrual basis. Cash received from members as transfers from other pension plans is recorded when received.

f) Financial Instruments

The financial instruments of the Plan consist of cash, accounts receivable, investments and accounts payable. The fair value of these financial instruments approximates their carrying values.

g) Funding for Pension Benefits

An actuarial valuation performed by the Plan's actuary, Eckler Ltd., to determine the Plan's funding status as required by The Pension Benefits Act of Manitoba, was prepared as at December 31, 2010 and will be filed with the Manitoba Pension Commission in 2011. The results of that valuation are presented in these financial statements.

The valuation is based on actuarial assumptions with regard to demographics, rate of return on investments and salary increases to compare the Plan's actuarial assets with its actuarial liabilities. The next actuarial valuation of the Plan will be effective December 31, 2011 and will be completed in 2012.

h) Use of Estimates

Preparation of the financial statements requires management to make estimates and assumptions that primarily affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of changes in net assets available during the year. Actual results could differ from these estimates.

3. Financial Risk Management

Management of investments is governed by the managed account agreement between the Brandon University Retirement Plan and Connor, Clark & Lunn Management Ltd. The investment management objective of the Plan is to maximize the long-term total return while protecting the capital value of the fund from major market fluctuations through prudent management of asset allocation and prudent selection of investments. The investment manager is to attain an average rate of return of 3% over the CPI increase for the same period.

The Plan’s investments are publicly traded.

There have been no substantive changes in the Plan’s exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

a) **Market Risk**

Market risk is the risk the value of an investment will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to an individual investment or volatility in interest rates, foreign currencies or other factors affecting similar securities traded in the market.

i) Interest rate risk is the risk that fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The value of the Plan's fixed income investments is directly affected by changes in nominal and real interest rates. There are guidelines in the managed account agreement for the fixed income investment portfolio related to permitted investments, diversification, and quality, and duration management which are designed to mitigate the risks of interest rate volatility.

ii) Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates primarily related to foreign equity holdings. In some instances, forward foreign exchange contracts are used to manage currency exposure in connection with securities purchased in foreign currency. Forward foreign exchange contracts are contractual agreements that establish an agreed upon exchange rate at a settlement date in the future for the purpose of protecting future cash flows from adverse price movements.

The Plan's exposure, in cash and investments, to foreign currencies reported in Canadian dollars are as follows:

	(in thousands of dollars)			
	2010		**2009**	
Canadian cash and short term investments	$ 1,029	0.9 %	$ 2,170	2.2 %
Canadian bonds	37,490	34.4 %	32,386	32.9 %
Canadian equities	41,997	38.6 %	38,842	39.5 %
	80,516	73.9 %	73,398	74.6 %
US equities	14,672	13.5 %	12,347	12.5 %
Non-North American equities	13,672	12.6 %	12,659	12.9 %
	$ 108,860	100.0 %	$ 98,404	100.0 %

A 10 percent increase or decrease in exchange rates, with all other variables held constant, would result in a change in unrealized gains/(losses) of $ 2,834,445 (2009 - $ 2,500,679).

iii) Other price risk is the risk that the fair value or future cash flows from portfolio holdings fluctuate because of changes generally, in market prices, other than those arising from interest rate risk or currency risk or as a result of a deterioration in the outlook for a specific issuer. To manage its price risk arising from investments in equity securities, by policy, the portfolio is well diversified. The managed account agreement sets out the limits of investments in any one security as well as concentration within market sectors.

The Plan's target asset mix based on market value is:

Fixed income	35 %
Canadian equity	35 %
Foreign equity	25 %
Cash	5 %

Total exposure to equities is to be no less than 35% of the Pension Fund and no more than 70% of the Pension Fund.

b) Liquidity Risk

Liquidity risk is the risk that the Plan will encounter difficulty in having available sufficient funds to meet its commitments as they come due. It is the Pension Plan's policy to ensure that it will have sufficient cash and short term investments to allow it to meet its liabilities when they come due.

The term to maturity and the related market values of bonds and debentures are as follows:

	(in thousands of dollars) 2010	2009
Term to Maturity		
Less than one year	$ 7,783	$ 3,547
One to five years	4,105	9,563
Over five years	25,602	19,277
Total bonds and debentures	$ 37,490	$ 32,387

c) Credit Risk

Credit risk arises from the possibility that a loss may occur from the failure of another party to perform according to the terms of a contract. Credit risk is the risk the issuer of the debt security or a counter party to a derivative contract is unable to meet its financial obligation. Credit risk encompasses the risk of a deterioration of credit worthiness and concentration risk. The Plan limits credit risk through a managed account agreement with its investment manager that details the specific quality and concentration constraints.

At December 31, 2010, the Plan's maximum credit risk exposure related to cash and short-term investments and bonds and debentures is $ 38,519,204 (2009 - $ 34,556,098), and accounts receivable is $4,142 (2009 - $ 380,505). The Plan limits credit risk by acquiring high quality securities and following the managed account agreement. The managed account agreement establishes limits for ownership of investments and acceptable credit ratings. In the case of bonds and debentures, all must be rated BBB or higher.

The breakdown of the fixed income investment portfolio by credit rating from various rating agencies are as follows:

	(in thousands of dollars) 2010		2009	
Bonds and debentures investments				
Credit Rating				
AAA	$ 13,425	35.8 %	$ 12,914	39.9 %
AA	11,077	29.5 %	9,558	29.5 %
A	10,756	28.7 %	7,893	24.4 %
BBB	2,232	6.0 %	2,021	6.2 %
	37,490	100.0 %	32,386	100.0 %
Cash and short-term investments	1,029		2,170	
	$ 38,519		$ 34,556	

4. Capital Management

The capital of the Brandon University Retirement Plan is comprised of the net assets available for pension benefits. Externally imposed capital requirements relate to the administration of the Plan in accordance with the terms of the Plan, The Pension Benefits Act of the Province of Manitoba and the provisions of the Income Tax Act (Canada) and to the fact that the combined assets are held in the name of the Trustees of the Plan as described in note 1 a).

The Trustees, as the administrators of the Plan, on behalf of Brandon University, have developed appropriate risk management strategies, as described in note 3, to preserve the net assets available for pension benefits.

There have been no significant changes to the University's capital management objectives, policies and processes in the year nor have there been any changes in what the Trustees consider to be the Plan's capital. The pension plan has complied with externally imposed capital requirements during the year.

5. Valuation of Financial Instruments at Fair Value

The Plan measures fair values using the following fair value hierarchy that reflects the significant inputs used in making the measurements:

Level 1: Quoted market price (unadjusted) in an active market for an identical investment.
Level 2: Valuation technique based on observable inputs, either directly (prices) or indirectly (derived from prices). This category includes investments valued using quoted market prices in active markets for similar investment; quoted prices for identical or similar investments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
Level 3: Valuation techniques using significant unobservable inputs. This category includes all investments where the valuation technique includes inputs not based on observable market data and the unobservable inputs have a significant effect on the investment's valuation.

(in thousands of dollars)

	2010			**2009**		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Cash	$ 231	$	$ 231	$ 221	$	$ 221
Short-term investments	798		798	1,949		1,949
Bonds and debentures		37,490	37,490		32,386	32,386
Canadian equities	41,997		41,997	38,842		38,842
Foreign equities	28,344		28,344	25,006		25,006
	$ 71,370	$ 37,490	$ 108,860	$ 66,018	$ 32,386	$ 98,404

6. Investments

Section 3.29 of the Pension Benefits Act Regulations requires disclosure of each investment that has a fair value greater than 1% of the fair value of all investments. The investments, including pooled funds, are as follows:

	2010
Bonds and debentures	
Connor, Clark & Lunn Bond Pool Fund Class A	$ 37,489,664
Canadian equities	
Connor, Clark & Lunn Q 120/20 Fund Class I	$ 13,893,671
PCJ Canadian Equity Fund	$ 14,107,904
SRA Canadian Equity Fund	$ 13,995,148
US equities	
Connor, Clark & Lunn US Equity Class A	$ 14,671,849
Non-North American equities	
Connor, Clark & Lunn New Star EAFE Class A	$ 13,672,601

7. Obligation for Pension Benefits

The actuarial present value of accrued pension benefits was determined using the accrued benefit method prorated on service and using assumptions recommended by the actuary and approved by the Trustees. An actuarial valuation was prepared by Eckler Ltd. as at December 31, 2010 to determine the present value of accrued pension benefits as at December 31, 2010. The valuation as at December 31, 2010 has not yet been filed with the Pension Commission of Manitoba.

The assumptions used in determining the actuarial value of accrued pension benefits were developed by reference to expected long-term market conditions. Significant actuarial assumptions used in the valuation at December 31, 2010 were:

	2010	**2007**
Discount rate	5.30 %	5.75 %
Rate of salary increase	3.40 %	4.00 %
Mortality rate	UP1994 Table projected with Scale AA for ongoing future improvements in mortality, adjusted by a factor of 75% at each age	UP1994 Table projected with Scale AA to 2015

The next required valuation of the plan will be as at December 31, 2011 and will be completed in 2012.

8. Election for Exemption from Special Payments

The Brandon University Retirement Plan is subject to the Manitoba Pension Benefits Act and Regulations. The University Pension Plans Exemption Regulation 141/2007 allowed the University to make an election to be exempt from solvency and transfer deficiency payments. "2(1) An employer in relation to a university plan may, by filing a written election with the plan administrator, elect to be exempt from the solvency and transfer deficiency provisions."

On January 19, 2009 the University filed such an election.

With the exemption, the Plan will continue to be subject to the going-concern funding provisions of the Act.

9. Going-Concern Deficit Funding

The actuarial valuation indicated an actuarial deficit of $32,565,000, for funding purposes, as at December 31, 2010 using the accrued benefit method. The actuarial deficit is determined using the actuarial value of assets, which is based on the smoothing of the excess of investment rates of return over a four year period relative to the expected rate of return.

The University will be required to fund the matching contributions, as well as the actuarial cost of the defined benefits in excess of the matching costs. The funding deficit will be funded over a maximum of 15 years. Special payments totaling $3,126,000 will be made in 2011. The next going-concern valuation will be performed as at December 31, 2011 and completed in 2012.

10. Contributed Services

Brandon University provides staff and miscellaneous administrative services at no charge to the Plan. The cost of these services is not reflected in the Financial Statements.

11. Accounting Standards Changes - Pension Plans

The CICA's Accounting Standards Board has approved new accounting standards for pension plans, Section 4600 Pension Plans, effective for fiscal years beginning on or after January 1, 2011, with earlier adoption permitted. The Brandon University Retirement Plan has adopted these standards for the 2010 financial statements. There were no restatements required upon adoption of these standards; however, certain comparative figures have been reclassified to conform to the current year's presentation.