BRANDON UNIVERSITY
RETIREMENT PLAN

ANNUAL REPORT - 2012

incorporating the Annual Financial Statements

June 2013

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, 2012 are included in this report.

The Plan, under the guidance of Connor, Clark & Lunn Investment Management Ltd., had a rate of return of 10% in 2012 (-1.2% in 2011). The December 31, 2012 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 $35,504,000. The solvency ratio is 0.710. In January 2009, Brandon University filed an election to be exempt from the requirement to make 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, 2012 shows an unfunded liability of $29,844,000. 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 2013 is $3,115,000 ($3,810,234 in 2012). 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 improvement of the financial position of the Plan is mainly due to greater than expected investment returns based on a smoothed asset valuation method, an increase in the valuation interest rate, and special payments made in 2012 to fund the unfunded liability.

Since the solvency ratio of the plan is less than 0.90, the Pension Benefits Act of Manitoba requires the next valuation be performed no later than December 31, 2013.

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

Sincerely,

Dr. W. Paton, 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, 2012

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 NS Partners International Equity 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.

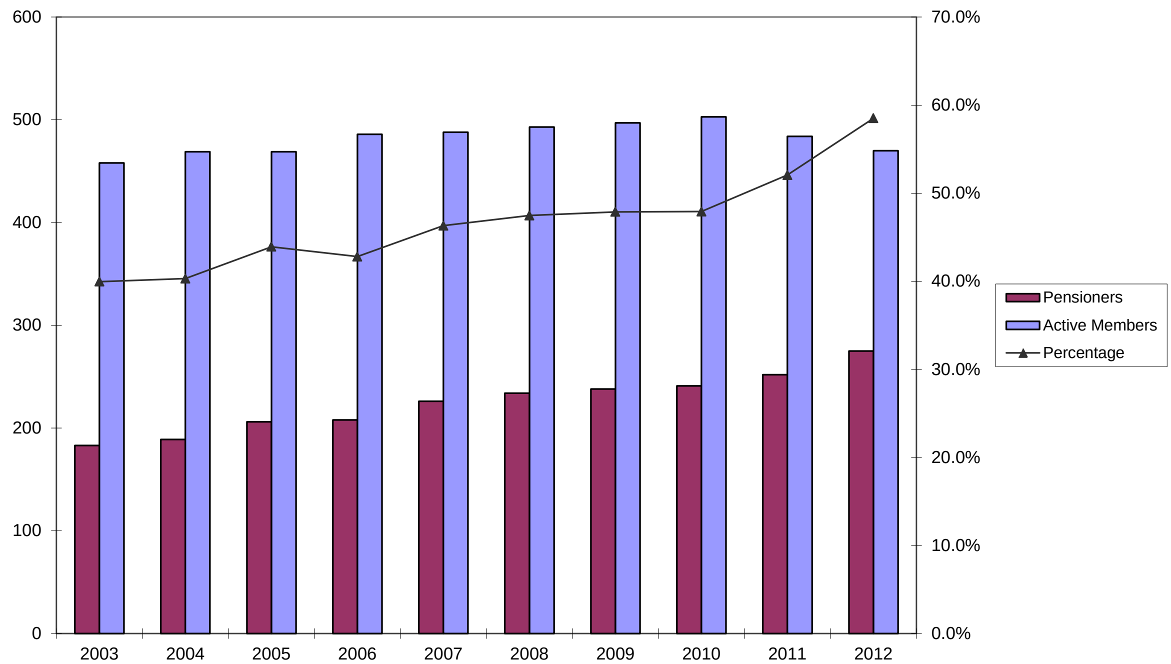
b) The Plan is funded by contributions from Plan members and the University, as well as the income from investments. Net assets in the plan, at market value, at December 31 were:

2012	$123.4 million
2011	$109.5 million
2010	$108.8 million
2009	$98.7 million
2008	85.8 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 40% of the active members to 59% in 2012. Brandon University Retirement Plan membership at December 31:

	2012	**2011**
Active members	470	484
Pensioners	275	252
Deferred, inactive and Pending Election	77	68

Pensioners as a Percentage of Active Members



An impact of increasing numbers of pensioners relative to active contributing members is the increasing need for investment income of the Plan to fund future income requirements. Although the annual ratio has varied over the past ten years, significant increases in regular contributions by both the Plan members and the University has kept the ratio of pensions paid out compared with regular contributions from members and the University at 105%. In addition, the University is making unfunded liability special payments to make up the unfunded liability shortfall calculated by the Plan actuaries.

Plan member transactions:

	2012	**2011**
Member and University regular contributions to the Plan	$5,162,792	$4,935,902
Unfunded liability special payments to the plan	3,810,234	3,326,624
Transfers from other plans	65,979	0
Pensions paid to retired members	5,190,847	4,658,813
Death benefits and refund settlements due to terminations	433,930	1,048,162

d) The Brandon University Retirement Plan is subject to a periodic valuation by an independent actuary to determine whether the current Plan assets and contributions from members and the University will adequately fund future benefits. The Pension Benefits Act of Manitoba requires that such a study be done at least every three years as long as the solvency ratio of the Plan is greater than 0.90. The most recent valuation was performed by Eckler Ltd. as at December 31, 2012. Using the solvency valuation method, the Plan had a deficiency of assets over actuarial (calculated) liabilities of $35,504,000. Using the going-concern or aggregate method, the Plan had an unfunded liability of $29,844,000.

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 2013 is $3,115,000 ($3,810,234 in 2012). No additional special payments are required to be made for the solvency deficiency because the University is exempted under the University Pension Plans Exemption Regulation.

However, 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, 2013.

e) Prior to a Plan amendment in 2011, if the net investment return on the fund, as determined by the Actuary using smoothed asset values, exceeded 6.0% per annum, each pensioner who was receiving a pension at the end of the year, was entitled to receive an increase in that pension effective from July 1 in the following calendar year.

Based on the amended provisions of the Plan, if the average net investment return on the Fund during the last four years 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, as amended April 11, 2013. This amendment had previously been reported as having been effective June 30, 2011. Final approvals took longer than anticipated and incorrect information appeared in the 2011 Annual Report. The result of this calculation over the past 10 years is as follows.

Brandon University
Historical Increases (Article 7.3 - Supplementary Pension)

Brandon University Pension Increases - Pre 2013 amendment						
	(1)	**(2)**	**(3)**	**(4)**	**(5)**	
Year	**Gross Actuarial Return**	**Net Actuarial Return**	**Excess of Net over 6%**	**Increase in CPI**	**Actual COLA given**	**Effective Date of COLA Increase**
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
2011	-1.63%	1.38%	Nil	2.30%	Nil	1 July 2012

Brandon University Pension Increases - Post 2013 amendment						
	(1)	**(2)**	**(3)**	**(4)**	**(5)**	
Year	**Net Investment Return (market value)**	**Four-year Geometric Average Return**	**Excess of Average return over 6%**	**Increase in CPI**	**Actual COLA given**	**Effective Date of COLA Increase**
2009	16.20%					
2010	10.62%					
2011	-1.63%					
2012	9.38%	8.45%	2.45%	0.80%	1.39%	1 July 2013

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

Investment Management Objectives

The current investment manager, Connor, Clark & Lunn, Investment Management Ltd. (CC&L), was appointed December 30, 1994. 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 seeks 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 (10%) exceeded the objective of CPI plus 3% (3.8%) for 2012 as did the four year rolling average ending in 2012 (BU Plan was 9.2% vs. 4.7%). The Plan also exceeded the rolling four year average benchmark return (BU Plan 9.2% vs. Benchmark 8.5%). Although the top third of managers is not reported by BIA, the BU Plan annual return (10%) was higher than the median (9.3%) but lower than the top 25% (10.2%) of balanced fund investment managers in 2012. The BU Plan four year rolling average return (9.2%) was higher than the median (8.8%) but lower than the top 25% (9.6%) of balanced fund investment managers.

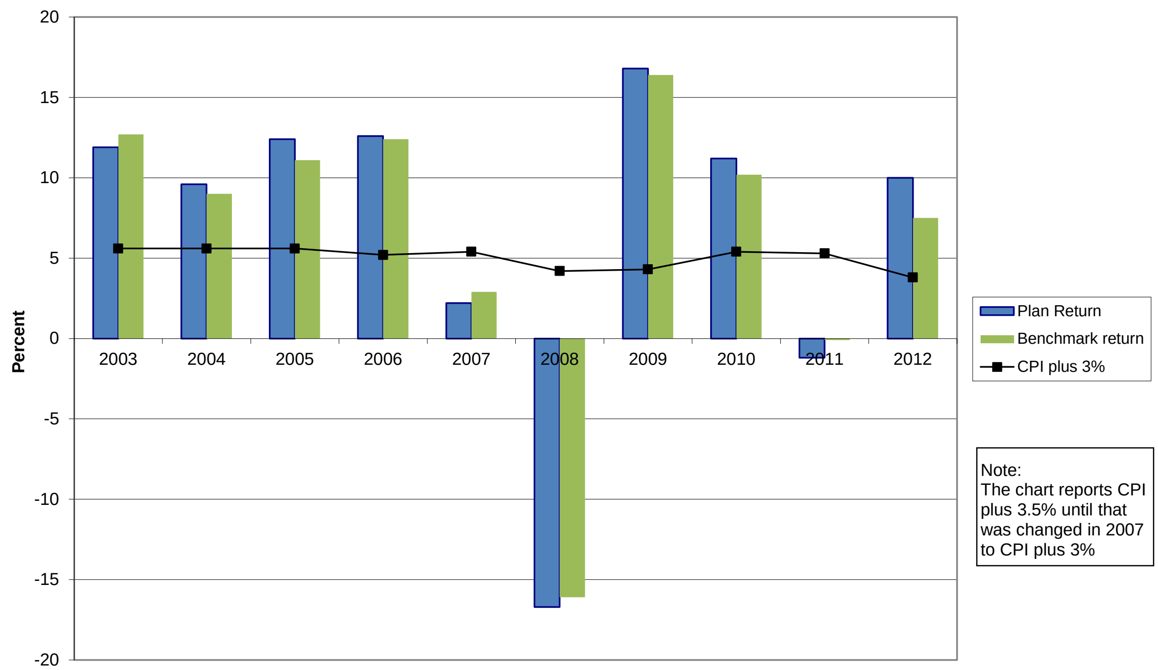
Investment Performance

Period Ending December 31	Total Return	Annual Rate of Increase in CPI
2012	10.0%	0.8%
2011	-1.2%	2.3%
2010	11.2%	2.4%
2009	16.8%	1.3%
2008	-16.7%	1.2%
Benchmark return for 2012		7.5%
Four year rolling average ending 2012		
Retirement plan performance		9.2%
Benchmark performance		8.5%

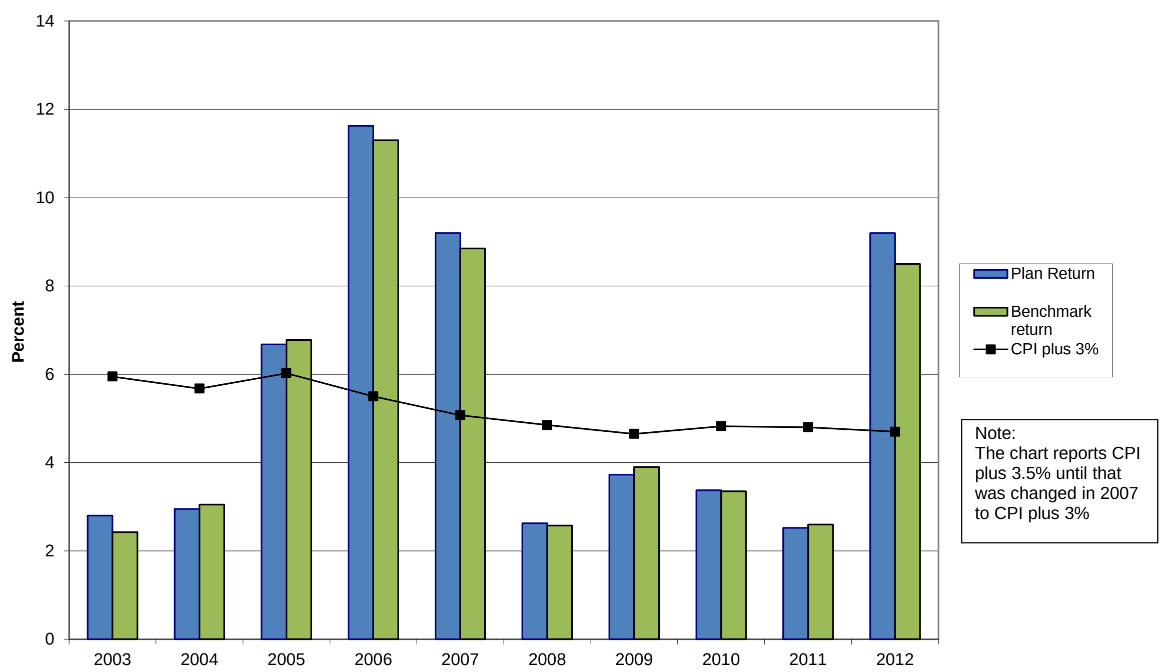
BIA Balanced Fund Performance Summary
For the Period Ending December 31, 2012

Top quartile (12 months)	10.2%
Median (12 months)	9.3%
BU Retirement Plan (12 months)	10.0%
Top quartile (4 year rolling)	9.6%
Median (4 year rolling)	8.8%
BU Retirement Plan (4 year rolling)	9.2%

Annual Investment Performance



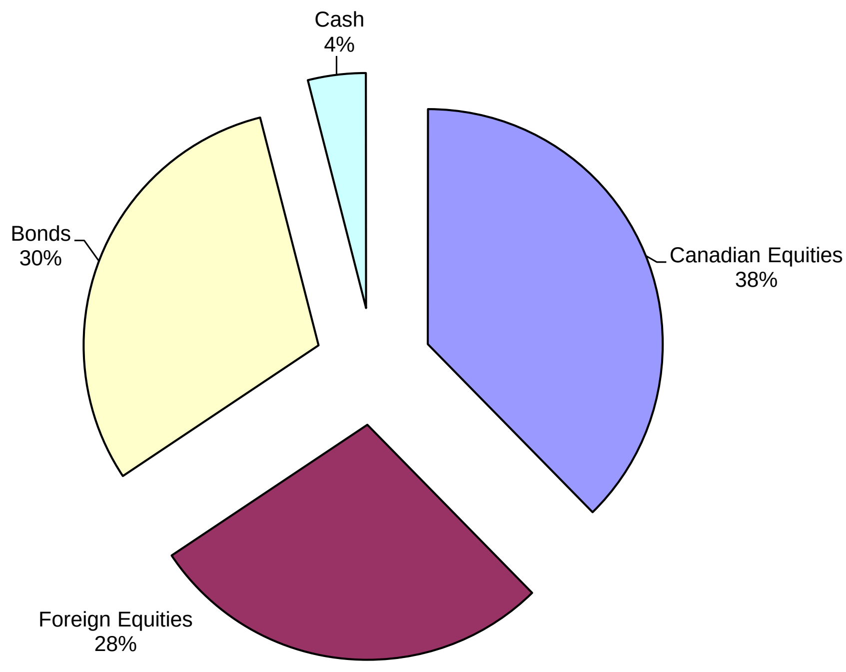
Rolling Four Year Average Investment Returns



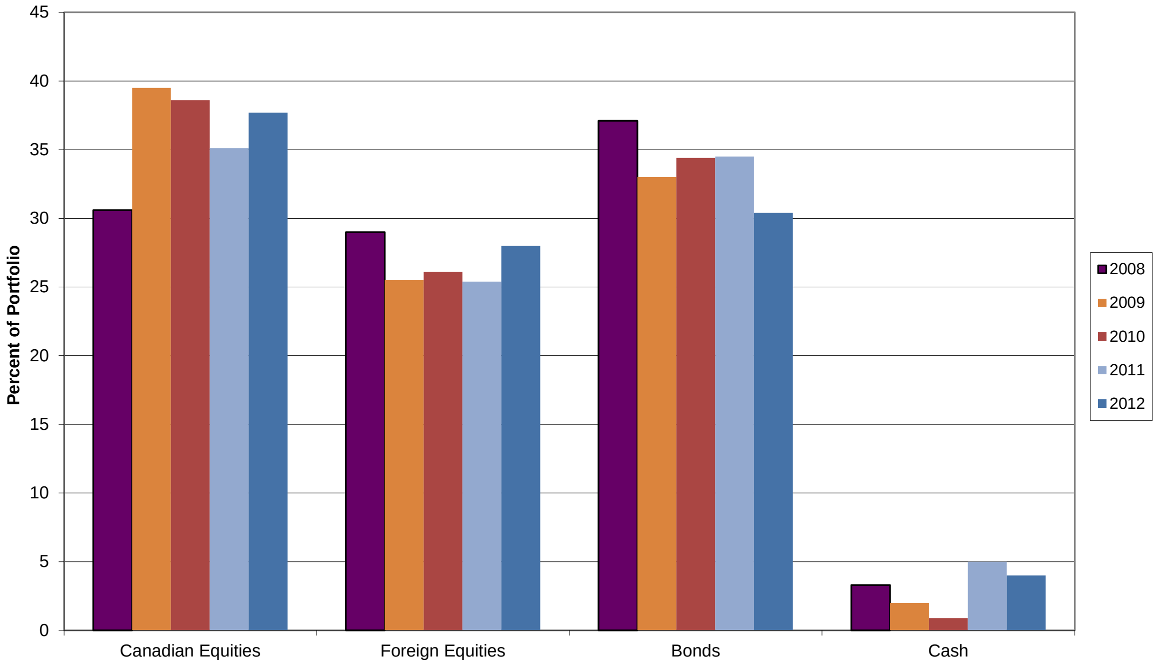
The investment mix of the Brandon University Retirement Plan is established by the investment manager based on market expectations within guidelines authorized by the Trustees of the Plan. On December 31, 2012 the asset mix and the annual performance in each sector follows:

	% of Portfolio	**12 month return**	**Benchmark return**
Canadian Equities	37.7%	10.4%	7.2%
Foreign Equities	28.0%	17.9%	14.3%
Bonds	30.4%	4.9%	3.6%
Cash	4.0%	1.2%	1.0%
TOTAL FUND	100.0%	10.0%	7.5%

Fund Asset Mix - December 31, 2012



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. W. Paton, 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 6, 2013

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

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, 2012, 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, 2012 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

Office of the Auditor General
June 6, 2013
Winnipeg, Manitoba

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

BRANDON UNIVERSITY RETIREMENT PLAN

Statement of Financial Position
as at December 31, 2012

	2012	2011
ASSETS		
Accounts receivable	$ 37,780	$ 374,514
Investments (note 2 b)		
Cash and short-term investments	5,301,914	5,457,943
Bonds and debentures	37,327,542	37,673,457
Canadian equities	46,321,920	38,352,373
Foreign equities	34,432,847	27,704,854
	123,384,223	109,188,627
Total Assets	123,422,003	109,563,141
LIABILITIES		
Accounts payable	29,987	23,226
Total Liabilities	29,987	23,226
Net asssets available for benefits	**123,392,016**	**109,539,915**
Pension obligations	**151,717,000**	**149,249,000**
Plan deficit (going concern basis)	**$ (28,324,984)**	**$ (39,709,085)**

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

BRANDON UNIVERSITY RETIREMENT PLAN

Statement of Changes in Net Assets Available for Benefits for the year ended December 31, 2012

	2012	2011
CONTRIBUTIONS		
Members	$ 2,002,607	$ 1,934,589
University	3,160,185	3,001,313
University special payments (Note 9)	3,810,234	3,326,624
Transfers from other plans	65,979	
	9,039,005	8,262,526
OTHER INCOME		
Investment income		
Interest	1,353,872	1,462,349
Dividends	1,986,196	1,573,299
	3,340,068	3,035,648
Change in fair value		
Realized	1,409,385	2,968,223
Unrealized	6,243,937	(7,211,967)
	7,653,322	(4,243,744)
Total Increase in Net Assets	20,032,395	7,054,430
PAYMENTS		
Benefit payments		
Retirements	5,190,847	4,685,813
Refunds	433,930	618,345
Deaths		429,817
	5,624,777	5,733,975
Administrative expenses		
Actuarial and consulting fees	56,312	109,980
Custodian and plan administration fees	121,583	115,767
Legal and audit fees	8,400	7,000
Investment management fees	375,314	357,169
Trustee expenses	927	1,604
GST rebate	(7,019)	(10,979)
	555,517	580,541
Total Decrease in Net Assets	6,180,294	6,314,516
Net Increase in Assets Available for Benefits	**13,852,101**	**739,914**
Net Assets Available For Benefits, beginning of year	**109,539,915**	**108,800,001**
Net Assets Available For Benefits, end of year	**$ 123,392,016**	**$ 109,539,915**

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, 2012

	2012	2011
Interest accrued on benefits	$ 7,450,000	$ 7,360,000
Transfers	66,000	
Benefits accrued	5,136,000	5,098,000
Benefits paid	(5,625,000)	(5,734,000)
Experience (gains)/losses	262,000	(1,790,000)
Changes in actuarial assumptions	(4,821,000)	5,138,000
Net Change in Pension Obligations	**2,468,000**	**10,072,000**
Pension Obligations, beginning of the year	**149,249,000**	**139,177,000**
Pension Obligations, end of year	**$ 151,717,000**	**$ 149,249,000**

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

BRANDON UNIVERSITY RETIREMENT PLAN

Notes to the Financial Statements
for the year ended December 31, 2012

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

The Plan was amended, effective April 1, 2012, to increase member and University contributions by .5% of pensionable earnings.

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. The Plan has adopted Part II (Private Enterprises) accounting standards for all accounting policies that do not relate to the valuation of the investment portfolio or pension obligations.

b) Financial Instruments

The financial instruments of the Plan consist of accounts receivable, investments, and accounts payable. The Plan recognizes and derecognizes all financial assets and liabilities in accordance with Financial Instruments, Section 3856, of Part II of the CICA Handbook

Initially, all financial assets and liabilities are recorded at fair value on the Statement of Financial Position. Subsequent measurement is determined by the classification of each financial asset and liability. Investments assets and liabilities are measured at fair value based on International Financial Reporting Standards (IFRS 13) with the change in fair value recognized in the Statement of Changes in Net Assets Available for Benefits. Financial instruments classified as accounts receivable and accounts payable are measured at amortized cost using the effective interest method.

The Plan has chosen early adoption of IFRS 13 fair value measurement as of January 1, 2012 and has applied IFRS 13 prospectively.

Investments are recorded at market value on a settlement 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.

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 or the change in fair value of investments (realized gains or losses) 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) 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.

g) Pension Obligations

The pension obligations of the Brandon University Retirement Plan are the actuarial present value of accrued pension benefits determined by applying the best estimate assumptions and the projected benefit method prorated on services.

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 the previous period 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.

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

(in thousands of dollars)

	2012		2011	
Canadian cash and short-term investments	$ 5,302	4.3 %	$ 5,458	5.0 %
Canadian bonds	37,327	30.3 %	37,673	34.5 %
Canadian equities	46,322	37.5 %	38,352	35.1 %
	88,951	72.1 %	81,483	74.6 %
US equities	18,813	15.2 %	15,639	14.3 %
Non-North American equities	15,620	12.7 %	12,066	11.1 %
	$ 123,384	100.0 %	$ 109,188	100.0 %

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

Duration is the most common measure used to quantify the impact of changes in bond prices due to change in interest rates. Using this measure it is estimated that a one percent increase or decrease in interest rates, with all other variables held constant, would result in a change in fair value on Canadian bonds of 6.49% or $2,422,557 (2011- 6.5% or $2,448,775).

ii) Currency risk is the risk that the value of non-Canadian investments measured in Canadian dollars 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.

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 $ 3,443,285 (2011 - $ 2,770,485). Generally when there is a 10% strengthening (weakening) of the Canadian dollar versus the corresponding currency, there would be a 10% decrease (increase) in the value of the corresponding country's portion of the portfolio from this currency movement.

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 allocation based on fair 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) 2012	2011
Term to Maturity		
Less than one year	$ 2,399	$ 2,198
One to five years	7,659	14,519
Over five years	27,269	20,956
Total bonds and debentures	$ 37,327	$ 37,673

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, 2012, the Plan's maximum credit risk exposure related to cash and short-term investments and bonds and debentures is $42,629,456 (2011 - $43,131,400), and accounts receivable is $ 37,780 (2011 - $ 374,514). 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) 2012		2011	
Bonds and debentures investments				
Credit Rating				
AAA	$ 3,226	8.6 %	$ 14,735	39.1 %
AA	14,074	37.7 %	12,355	32.8 %
A	14,913	40.0 %	8,046	21.4 %
BBB	5,114	13.7 %	2,537	6.7 %
	37,327	100.0 %	37,673	100.0 %
Cash and short-term investments	5,302		5,458	
	$ 42,629		$ 43,131	

4. Capital Management

The capital of the Brandon University Retirement Plan is comprised of the net assets available for benefits. The combined assets of the Plan 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 benefits. In accordance with the provisions of The Pension Benefits Act of the Province of Manitoba and the provisions of the Income Tax Act (Canada) a Statement of Investment Policies and Procedures (SIPP) has been established. The SIPP states the investment objectives and investment guidelines by class of investment. The objective when managing capital is to maximize the long-term total return through prudent selection of investments in compliance with the investment rules under the respective federal and provincial Pension Benefits Acts.

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. Fair Value Measurement

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value measurements are based on the assumptions that market participants would use when pricing the item being measured under current market conditions, including assumptions about risk.

The Plan uses a fair value hierarchy under which the inputs to valuations techniques used to measure fair value are categorized into three levels. They are as follows:

Level 1: Inputs are quoted market prices (unadjusted) in active markets for identical assets or liabilities the Plan can access at the measurement date.
Level 2: Inputs are inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (prices) or indirectly (derived from prices).
Level 3: Inputs are unobservable inputs for the asset or liability.

(in thousands of dollars)

	2012		2011	
	Level 2	Total	Level 2	Total
Cash	$ 215	$ 215	$ 22	$ 22
Short-term investments	5,087	5,087	5,436	5,436
Bonds and debentures	37,327	37,327	37,673	37,673
Canadian equities	46,322	46,322	38,352	38,352
Foreign equities	34,433	34,433	27,705	27,705
	$ 123,384	$ 123,384	$ 109,188	$ 109,188

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:

		2012
Bonds and debentures:		
Connor, Clark & Lunn Bond Pool Fund Class A	$	37,327,542
Canadian equities:		
Connor, Clark & Lunn Q 120/20 Fund Class I	$	15,411,426
PCJ Canadian Equity Fund	$	15,452,813
SRA Canadian Equity Fund	$	15,457,680
US equities:		
Connor, Clark & Lunn US Equity Class A	$	18,812,682
Non-North American equities:		
Connor, Clark & Lunn New Star EAFE Class A	$	15,620,164

7. Actuarial Valuation

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 as at December 31, 2011 and completed in July, 2012 by Eckler Ltd., a firm of consulting actuaries. Those results provide the present value of accrued pension benefits as at December 31, 2011 and accruing cost in 2012. A second actuarial valuation was prepared by Eckler Ltd. as at December 31, 2012 to determine the present value of accrued pension benefits as at December 31, 2012. The valuation as at December 31, 2012 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 valuations were:

	2012	2011
Rate of return on investment	5.25 %	5.00 %
Rate of salary increase	3.00 %	3.00 %
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 for ongoing future improvements in mortality, adjusted by a factor of 75% at each age.

The next required valuation of the plan will be as at December 31, 2013 and will be completed in 2014.

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 indicates an actuarial deficit of $29,844,000, for funding purposes, as at December 31, 2012 using the accrued benefit method. 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 value of net assets of $122,346,000 with its pension obligations of $152,190,000. The pension obligations of $151,717,000 reported in the financial statements does not include $473,000 that results from the discretionary pension increase of .59% approved on April 20, 2013 to be effective July 1, 2013.

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 $3,115,000 will be made in 2013 (2012 - $3,810,234). The next going-concern valuation will be performed as at December 31, 2013 and completed in 2014.

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. Subsequent Event

On April 20, 2013 the Board of Governors of Brandon University approved a supplementary pension increase of 1.39% to be applied to pensions, effective July 1, 2013. .59% of this increase was discretionary in accordance with article 7.3(e) of the Brandon University Retirement Plan and was recommended by the Plan Trustees.

12. Comparative Figures

Comparative figures for the year ended December 31, 2011 have been reclassified where necessary to conform with the presentation adopted for the year ended December 31, 2012.